

INDIAN CURRENCY COMMITTEE, 1898.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

COMMITTEE

ON

INDIAN CURRENCY.

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE.

PART I

PRESENTED TO BOTH HOUSES OF PARLIAMENT BY COMMAND OF HER MAJESTY.



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TAKEN BEFORE THE

COMMITTEE

ON

INDIAN CURRENCY.

At the India Office, S.W.

FIRST DAY.

Monday, 23rd May 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

SIR JAMES L. MACKAY, K.C.I.E., called and examined.

1. (*Chairman*.) You are a member of the Council of India?—I am.
2. And you have been engaged in business in India for many years?—Yes.
3. You were resident in India for 20 years previous to 1894?—Yes.
4. I believe, also, you were president of the Bengal Chamber of Commerce during the last four years of your stay in India, and also you were a member of the Viceroy's Legislative Council?—That is so.
5. What position did you occupy in India at the time the Act was passed in 1893 by which the mints were closed?—I was then in business in India. I was president of the Bengal Chamber of Commerce and a member of the Viceroy's Council.
6. At that time you were a member of the Legislative Council and also president of the Bengal Chamber of Commerce?—I was.
7. Will you just tell the Committee what are your views, first as to when the currency troubles began in India?—Indian troubles as regards exchange may be said to have begun with the demonetization of silver by Germany in 1873. Previous to that year, silver had practically for the previous 40 years never been worth less than 60d. per ounce, giving an exchange roughly of 2s. per rupee.

8. I gather that the meaning of that remark is that the universal price of silver in India and throughout the world was an average of 60d. per ounce prior to 1873?—Practically.

9. And that the exchange value of the rupee was more or less 2s.?—More or less 2s.

10. Could you say how low it would be?—I think it went from 1s. 10½d. to 2s. 2d. or 2s. 3d.; it would have been 2s. 3d. at times of pressure.

11. What minimum would there be?—A minimum of 1s. 10d. to 1s. 10½d. previous to 1873.

12. Had there been ~~no~~ greater variation until 1873?—No. Between 1872 and 1881 silver steadily fell from 60d. to about 51d. per ounce, and the question was assuming such a serious aspect that a conference was held in Paris in 1881 to consider the advisability of re-establishing bimetallism, but it separated without coming to any conclusion.

13. During the period that it went from 60d. to about 51d. per ounce, can you tell us what the variation of the value of the rupee was, or rather what was its fall?—I will put that information in.

14. Very well. Now we will assume for this purpose that the rupee went down also?—It fell with silver.

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15. In the same proportion?—In the same proportion as silver. Meantime, with the object of trying to support the price of silver, the Bland Act had been passed in America in 1878, under which the United States Government were obliged to purchase and coin two to four million dollars' worth of silver every month. Under this Act the minimum quantity only was purchased. The operation of this Act appears to have slightly steadied silver for a year or two at about 51d. per ounce, but the price then began to fall away again, and early in 1886 it had fallen so much (namely, to 47d. per ounce) that the President of the United States recommended the suspension of the Act. Thereupon the price fell away very rapidly until it reached 42d. per ounce in July of the same year. Between July 1886 and October 1889 the price ranged from 42d. to 47d. per ounce, the price in October 1889 being 42d. About this time an agitation was started in America in favour of free coinage of silver, and the prospects that the silver party would be sufficiently strong to carry the day led to the price of silver running up between October 1889 and September 1890 from 42d. per ounce to something over 54d. per ounce. The agitation in favour of silver culminated in the passing of the Sherman Act in July 1890, which provided for the purchase by the United States Government of 4½ million ounces of silver per month, or 54 million ounces annually. But the output of silver continued to overstep even this off-take—it rose from 91,609,959 ounces in 1885 to 165,472,621 ounces in 1893, and from the time of the passing of the Sherman Act until March 1893 the price had fallen from 54d. to 37d. per ounce.

16. Does that in any way suggest to your mind that the fall in the price of silver arose from the output as much as from the demonetization of silver in Germany?—The demonetization of silver in Germany took place in 1873, of course, and this fall took place as late as 1890 and 1893, and in the meantime Germany had suspended her sales of silver some years before.

17. But assuming that Germany had not demonetized silver in 1873, do you think that the production of silver—the increased production of 1873 to 1893—would have affected the price?—If Germany had not demonetized her silver, and the Latin Union had kept their mints open, I think it is not at all improbable that silver would have been maintained at something like 60d. per ounce. That, of course, is a question.

18. Do you think there would have been an increased demand which would have been equivalent to the increased supply?—That might have been so; but, of course, that is a matter of argument.

19. (Sir David Barbour.) It would have been a very important matter if the United States had made no change?—Undoubtedly that would be so.

20. (Chairman.) You have now brought the matter up to March 1893, when the price was 37d. per ounce?—That is so.

21. Now what was the exchange value of the rupee in March 1893?—Something like 1s. 4d., I think.

22. In 1893 I think it was 1s. 2½d.?—I should have to refer to the figures. I think it was 1s. 2½d. in 1893; that is the equivalent of 37d.

23. Now, will you give the Committee the history, so far as your knowledge of it in India was concerned, of the proposal to close the Indian mints?—In the beginning of 1892 the Bengal Chamber of Commerce drew the attention of the Government of India to the fluctuations in exchange with special reference to the fact that an invitation had been sent by the United States to the different powers in Europe suggesting a conference for the consideration of the monetary question. The Chamber of Commerce urged that the Government of India should promote an international agreement for the free coinage of gold and silver at a fixed ratio, and that failing any such agreement steps should be taken to consider carefully the question of introducing a gold standard into India. The

Government of India “practically adopted” the Chamber's views, and on sending them forward to the Home Government recommended that, if an International Conference were proposed, strong support should be given to the proposal, and that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States could not be made, the Indian mints should be closed to the free coinage of silver with a view to the introduction of a gold standard. In the autumn of 1892 the International Conference was duly held, but it broke up without arriving at a satisfactory conclusion, and no separate agreement between India and the United States was made.

24. Then at that time, in the autumn of 1892, the two contingencies which the Indian Government contemplated with reference to either arriving at a satisfactory conclusion by an international agreement or entering into a formal agreement with the United States had failed?—Yes.

25. And thereupon the situation in the autumn of 1892 was this: no international agreement had been arrived at, no separate agreement between India and the United States had been arrived at, and then the proposal of the Indian Government and the Home Government was a gold standard?—That a gold standard should be considered.

26. Your words are “with a view to the introduction of a gold standard.” Then before we pass from that period—the autumn of 1892—was the matter considered again by the Bengal Chamber of Commerce?—No. In the meantime and before the International Conference met, Lord Herschell's Committee was appointed to advise whether it was expedient that any steps should be taken to modify the Indian Currency Act.

27. But what I mean is, before Lord Herschell's Committee, was there any communication between the Government of India and the Bengal Chamber of Commerce with reference to the then situation and the adoption of the policy of the closing of the mints?—I think not. Lord Herschell's Committee was appointed before the International Conference was formed.

28. Is that so?—Yes.

29. The International Conference was appointed in the autumn of 1892. What was the date of Lord Herschell's Committee?—That was also in the autumn of 1892. Lord Herschell's Committee was appointed in October 1892. The Committee met and adjourned, and then the International Conference was held in Brussels.

30. After the appointment of Lord Herschell's Committee?—After the appointment of that Committee.

31. Then did the Committee take its evidence after the International Conference had sat?—The Committee took a lot of evidence before the Conference was held; then the Committee adjourned and took further evidence after the Conference had broken up.

32. Now, will you tell us what were the questions referred to Lord Herschell's Committee?—I am not sure that I have the exact wording here.

The Secretary read the opening words of the Report of Lord Herschell's Committee, which were as follows:—

“The question referred to the Committee by your Lordship is, whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we

are asked to offer any suggestion that we think fit for the purpose."]

33. Then, as we are aware, the Committee came to the conclusion that, although there were objections to any attempt being made to introduce a gold standard into India, yet, in view of all the circumstances of the case, the Committee recommended that this course should be ultimately adopted?—That is so.

34. Was there not one modification of the Government of India's proposals made by the Committee?—They proposed that instead of the Government taking power to declare the sovereign to be a legal tender, at a fixed rate, not exceeding 1s. 6d., the result of closing the mints should be awaited.

35. The Government of India proposed that the Government should declare the sovereign to be a legal tender at a fixed rate, not exceeding 1s. 6d. The Committee were not prepared to recommend that, but they did recommend that the result of the closing of the mints should be awaited?—That is right.

36. And that the Government of India should be guided by the experience thus obtained in deciding on future action?—That is so.

37. Did not the Committee take a step—not unanimously—with a view of checking any sudden or considerable rise in exchange?—With the view of checking any sudden or considerable rise in exchange, which might have injurious consequences and excite apprehensions in the public mind, the Committee recommended that as soon as the mints were closed to silver, arrangements should be made for the issue of rupees at the Indian mints in exchange for gold at the rate of 1s. 4d. per rupee, and for the receipt of sovereigns at the Indian treasuries in payment of Government dues at the rate of 1 for 15 rupees.

38. When those proposals were sent out from here to India, was there any communication between the Government of India and the Bengal Chamber of Commerce or any other mercantile association?—No, none whatever.

39. Were the mercantile bodies aware of the course which the Home Government were proposing to adopt?—No, it was kept secret altogether.

40. What was the first intimation that the mercantile public in India had of the policy that was proposed by the Government?—The first authentic intimation they had was the passing of the Bill.

41. There was no previous announcement?—There was an announcement made in the home papers—it had leaked out in England what the proposal of Lord Herschell's Committee was, and what would probably be the proposal of the Government, but there was nothing authentic until the Bill was brought into the Legislative Council in Simla.

42. When was that Bill introduced?—It was introduced on the 26th June and passed the same day. The orders were suspended.

43. The Bill was passed at Simla on the same day?—Yes.

44. What was the general opinion in India, so far as you are aware of it, when that announcement was made?—Opinion was divided; there were a great many people in India who were in favour of the closing of the mints and there was a considerable opposition to the closing of the mints.

45. Could you give us an idea as to the strength of that opinion of either side or both sides? Will you tell me first what do you think was the opinion of the Bengal Chamber of Commerce?—The opinion of the Bengal Chamber of Commerce was somewhat divided.

46. You being the president, what should you think the greater weight of opinion in the Bengal Chamber of Commerce was?—I am inclined to think the opinion was evenly divided—about as many in favour as there were against.

47. Would that remark be applicable to Madras?—I think Madras opinion was more opposed to it.

48. For the moment, divesting yourself of your character as president of the Bengal Chamber of Com-

merce, and speaking as head of a mercantile house in India, what was your own opinion?—I was strongly in favour of closing the mints with the object of getting a stable exchange between India and England. I was very strongly in favour of it.

49. Then did you contemplate the early, or not very far distant, introduction of a gold standard?—I contemplated that that would follow in due course.

(Sir John Muir.) May the witness tell us about the feeling of Bombay?

50. (Chairman.) What was the feeling in Bombay?—I rather think the feeling in Bombay was pretty well divided, probably it was as much against as in favour of it.

51. Who was then president of the Bombay Chamber of Commerce?—I rather think it was Mr. Symons, I am not quite sure.

52. But no public action was taken by either of the Chambers of Commerce, either adverse to or in favour of the Government?—Yes, there were some objections taken; there were some memorials addressed to the Government against the proposal. One I remember was from the planters of Southern India. They were very strongly opposed to the closing of the mints.

53. At that time when the mints were closed, the rupee had about reached its lowest, had it not?—I mean in June 1893?—The day the mints were closed exchange went to about 1s. 4d.

54. But had not the Secretary of State, prior to the closing of the mints, for some time previously, stopped the sale of bills?—No, they went on selling Council Bills up to the last moment.

55. Up to June 1893?—Up to June 1893.

56. Then when did they stop the sale of bills?—They stopped the sale of bills—I think it was very much in deference to the representations from India— from about June or July to November 1893.

57. Then you say the planters of Southern India were the first, or were the prominent, persons in objecting to the proposals of the Government?—They were.

58. They being interested entirely in export trade?—In tea and coffee.

59. Not indigo?—Not indigo; there is none grown in Southern India, at least not much, there is a little grown in Madras.

60. Now you summarise for us (and we are very much obliged to you) "thirteen objections to the very serious and far-reaching proposal to close the Indian mints to silver and to adopt a gold standard in India." We will have those altogether here on the notes, and then the Committee can examine you upon them.

(The following is the Witness's summary.)

"1. That the mass of silver currency in India was too large to admit of the rupee becoming a mere token, and that it would continue to follow in exchange the price of silver.

"2. That the closing of the Indian mints would lower the price of silver, and that the natives of India, who are large possessors of silver in the shape of ornaments, would suffer thereby, and also by not being permitted to coin their silver into rupees when they desired to do so political trouble would arise.

"3. That the export trade of India was favoured by a low or declining exchange, and that it would injure it to arrest the fall.

"4. That the Government revenue from railways and canals would greatly decrease.

"5. That the balance of trade would go against India if the rupee were prevented from falling with silver.

"6. That, if the rupee were maintained in exchange above the price of silver, illicit coining would become rife, and the country would be flooded with false rupees of proper weight and fineness, and thus the rupee would sink to silver level.

"7. That it would create a vague feeling of discontent in the country.

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"8. It would give Government the power of coinage, instead of letting coinage be automatically adjusted, and Government might manipulate the currency for its own purposes.

"9. That Indian manufactures would suffer and Bombay mills would be ruined.

"10. That Indian yarn would cease to be exported to China altogether, and the rice trade from Burma would be handicapped as compared with that from Cochin China and Siam.

"11. That Indian raw cotton would be handicapped in competition with American cotton, and would probably cease to go to China altogether.

"12. That it would interfere with the internal trade of the country.

"13. That the tea industry in India would suffer."

The first objection you state here is: "That the mass of silver currency in India was too large to admit of the rupee becoming a mere token, and that it would continue to follow in exchange the price of silver." Will you please tell us, rather more in detail, what the meaning of that objection was?—The objection, I take it, put forward by certain of those who objected to the closing of the mints was that they felt sure that the rupee currency was so great that it would be impossible to maintain it above its intrinsic value; and that not only the rupee currency in the country, but also the amount that was held in hoards, would make it impossible for the rupee ever to be above its intrinsic value.

61. Was there any authoritative expression of opinion put forward anywhere in India as regards the mass of rupee currency?—I think the only estimate of it was that which was made by Mr. Harrison.

62. What was his estimate?—I forget the figures, but it was about 115 to 120 crores, I think.

63. Did the Finance Minister, when making his statement in Council, take note of this question as to the amount of currency, and did he give any figures about it?—Yes, I think he quoted Mr. Harrison's estimate.

64. From 115 to 120 crores?—I think that was it.

65. Then this objection was based upon the theory that the rupee would become token money?—That it would be impossible to make the rupee a token circulating above its intrinsic value.

66. But the objection was that it was too large to become token money?—The objection was that it was too large to become token money.

67. But the question of the rupee becoming token money would not arise unless the gold standard was adopted?—Well, we have not quite got to the gold standard yet. The gold standard is not effective.

68. But I mean would that have any effect upon the objection which you mention?—I think there was very considerable weight in the objection. There is no question there was a certain amount of doubt as to whether it would be possible; in view of this enormous mass of currency in India, it was doubtful whether we should ever be able to have the rupee circulating at 1s. 4d. instead of at its intrinsic value.

69. You say, that it was objected that "The mass of silver currency in India was too large to admit of the rupee becoming a mere token, and that it would continue to follow in exchange the price of silver." Was that assumed to be the sequence even if no gold standard was adopted?—It was assumed that any attempt to keep the circulation value of the rupee above its intrinsic value would fail.

70. That is another way of stating that the mass of currency was so large that no alteration of value, even the introduction of a gold standard, would affect the exchange value of the rupee?—That is so.

71. What was your opinion of that objection at that time?—I had my doubts as to it, too, I must admit. It was a very serious question.

72. It was a well-founded objection in your judgment?—I think it was a well-founded objection.

73. But there were doubts about it?—Yes.

74. And those were doubts that could only be solved by experience?—Only by experience.

75. Now, what was the immediate effect of the closing of the mints upon the intrinsic value of silver?—Practically silver fell. In 1893 the intrinsic value of the rupee went down to 11½d.

76. What was the exchange value of the rupee during that time?—From 1893 the exchange value of the rupee was something like 1s. 2½d.

77. Then in the very next year after the closing of the mints the objection did not hold good; it did not follow in exchange?—It did not quite follow.

78. But is not there a very large difference?—There were times when they were brought close together.

79. Now let me come to the next year. In 1894 silver fell further, so that the intrinsic value of the rupee went down to 10d.?—Yes.

80. What was the exchange value of the rupee in 1894?—1s. 1d.

81. There was a divergence of 3d.—Yes.

82. Then the next year, 1895, the intrinsic value remaining at 10d., what was the exchange value?—The exchange value rose to 1s. 1½d.

83. Then we come to 1896, and I suppose we must take that as being disturbed by famine considerations?—To some extent.

84. I suppose it would more affect the exports and imports than the exchange value of the rupee?—Well, it is very doubtful. No doubt the famine might to some extent have raised the exchange. On the other hand, if we had had a very large export season we should probably have had a higher exchange.

85. The intrinsic value of the rupee in 1896 was 10½d. and the exchange value was 1s. 2½d.?—That is so.

86. In last year, 1897, the intrinsic value had gone down to about 9d.?—Yes, and at the same time the exchange value of the rupee was 1s. 4¾d.

87. Now, in face of that experience between August and July 1893 and December 1897, what is your opinion of that objection?—I think it has been fairly well demonstrated that it is possible to have the rupee circulating at a higher level than its intrinsic value.

88. Even without a gold standard?—Even without a gold standard. Even without a gold standard being effective, that is to say; even although the Government is not prepared to make it convertible; even though the Government is not prepared to give gold in exchange for rupees, still we have before us the fact that the rupee is worth over 1s. 4d., and that the intrinsic value of the rupee is only something between 8d. and 10d.

89. Am I right in saying that that would tend to show that the action of the Government in limiting the number of rupees in circulation had the effect of raising their exchange value totally irrespective of their intrinsic value?—Undoubtedly, through stopping the free coinage of silver.

90. In other words, it would require fewer rupees in silver to supply the same quantity of gold?—Yes.

91. (Sir Francis Mowatt.) As regards the first of these objections—the rupee has not become a token of the present moment?—I should say that it has. I should say that the rupee is a token coin, because it circulates at a value very much higher than its intrinsic value. That is why I should say it is a token coin.

92. Has that been effected by the restriction of the number?—Very considerably.

93. (Sir David Barbour.) It is in fact perfectly clear that the rupee can be kept at a different value, to that which you call its intrinsic value. That is absolutely certain, is it not?—I should say that that is absolutely certain.

94. And that has been the result of closing the mints?—No doubt.

95. Not merely the result of limiting the rupee coinage, but the general result of closing the mints?—That is so.

96. Which has, of course, affected the import of silver?—Yes.

97. A reduction in the import of silver helps to keep up the exchange, and any such reduction is a consequence of the closing of the mints to silver?—No doubt.

98. (*Sir Alfred Dent.*) You say that the rupee is a token now. That is, of course, only so long as the exchange is kept up to this high level?—So long as the rupee circulates at a value above its intrinsic value, I take it, it is a token coin in the same way as the shilling in this country and the copper coins.

99. Though it has the exchangeable value of 1s. 4 $\frac{1}{2}$ d. as it had in 1897, which is purely artificial?—You can sell every rupee you have got at the present moment for something over 1s. 4d., therefore, it is exchangeable for something over 1s. 4d.

100. (*Mr. Holland.*) I should like to inquire whether or not you attribute to the closing of the mints the present favourable rate of exchange?—Undoubtedly.

101. But you admit, do you not, that there are other factors that do affect the rate of exchange very materially. For instance, such a question as the balance of trade has something to do with it apart altogether from the closing of the mints?—The balance of trade and the closing of the mints together. If the balance of trade were to go materially against India, even with the mints closed, we might see a different rate of exchange.

102. It would be affected then by such questions as good and bad harvests?—Undoubtedly.

103. And the question of borrowing gold in London?—Undoubtedly.

104. And such a question as the offering of fewer Councils Bills would also affect the rate of exchange?—To some extent, no doubt.

105. So that it could hardly be said that the closing of the mints is itself the sole factor in securing this favourable rate of exchange?—No, it could not be said that it was the sole factor.

106. These other factors that I have referred to would also affect it?—Undoubtedly.

107. (*Mr. Campbell.*) Do you think a coin can be called a mere token when it is legal tender to any extent?—I think so. I should say it is a token if it is of more value than its intrinsic value. Of course, that is a matter of argument.

(*Mr. Hambro.*) Why do you consider it a token, seeing that it is not like a shilling which is a token of the twentieth part of a sovereign.

(*Mr. Campbell.*) It is a legal tender to any extent.

(*Mr. Hambro.*) You cannot call it a mere token when it is not a legal tender or token for something.

(*Witness.*) Well, that is an academic question, I think.

108. (*Mr. Le Marchant.*) I rather understood the effect of the last question to be this: that the rupee is approaching to the position of a token coin. If it is exchangeable for 1s. 4d. effectively, so that there are 15 to the sovereign, then to that extent it fulfils the definition of a token in that particular way; that is to say, as the shilling would represent one-twentieth of a sovereign the rupee would represent one-fifteenth of a sovereign, assuming that that is your definition of a token?—I would rather put it in this way; that a coin circulating materially above its intrinsic value cannot be regarded other than as a token. If the rupee is worth at the present moment 1s. 4d., and you melt it down and can only get 10d. for it, and you can discharge a 1s. 4d. obligation with it, I should say that it is very much like a token.

109. Might I ask one question with regard to the supply of rupees? It was anticipated that the mass of currency was such as to prevent the rupee rising to, I will say, 1s. 4d.; to a certain extent that anticipation was justified for a time, was it not? Do you attribute that to rupees coming out that had been hoarded—to rupees coming into circulation that had not been in active circulation?—I think there is some evidence that rupees came back to some extent from foreign

countries after the closing of the mints, but these found their way out again. I should attribute it more to the fact that the currency was redundant at the time.

110. (*Chairman.*) What I understand you to say is this. Taking it in round figures at 1s. 4d., the present rate of exchange, 15 rupees will buy a sovereign in London; if the purchase had to be made with the intrinsic value of the rupee, 15 rupees would only buy about 12s.?—That is so.

111. Therefore, whether the rupee is called a token or by any other name, the effect of the action of the Government is to raise the exchange value of the rupee in gold?—Practically, I should say that is so.

112. Now, has there been any difference in the internal value of the rupee? Of course, all your evidence up to the present has been directed purely to the exchange value of the rupee. I ask you now, how has it been affected in India itself?—The value of the rupee internally, in relation to commodities, do you mean?

113. Yes?—Well, it is very difficult to say if there is any difference. Prices rise and fall in India altogether irrespective of the currency. You may have a good harvest in one part of the country and a bad harvest in another part, which may lead to a rise in the price of commodities. Therefore, so far as my judgment goes, I should say that internal prices have not so far been so much affected by the difference between intrinsic value and the exchangeable value of the rupee.

114. That is to say that, for the purpose of buying commodities in India—subject, of course, to that price being affected by the law of supply and demand for the time being or by local causes—so far as money is concerned, the rise in the exchange value to 16d. has had no appreciable effect on the value of the rupee through its internal circulation, either in depressing it or raising it?—I should say, on the whole, it has not so far. In one or two cases, no doubt, it has had some effect.

115. Let us take two or three cases. Has it affected wages generally throughout India?—You mean, has it lowered wages?

116. Has it lowered wages?—I should say it has not lowered wages.

117. Has it raised wages?—No; wages, I think, are practically the same as they were in 1893.

118. And the same in reference to the price of commodities which form the great bulk of the people's consumption?—I should think so. I do not think it has had very much effect upon prices so far. I should like to say, if I might, that I believe it has had an effect on the price of opium.

119. By lowering the price of opium?—Yes, it has lowered the sale price of opium. I believe it has done that. The price of opium is lower now than it has been. It has been almost as low before, I think, as about 973 rupees or 974 rupees a chest, and it has been as low before as 970 rupees a good many years ago. But opium being sold in China and paid for in silver, the fall in the value of silver has tended to force down the rupee price of opium. But there are many other causes affecting the price of opium.

120. But when I was Secretary of State, I think the price reached 1,400 rupees per chest, and that was at the time when the rupee was at its worst?—Yes, there has been a material decline. The rupee having been at 1s. 4d., and the intrinsic value of the rupee, by which, to some extent, the price of opium is governed, having gone down to 10d., there has been a material fall in the price of opium.

121. I think you said that there has been a considerable reduction in the imports of silver?—Yes.

122. Has there been a considerable fall lately in the amount of silver imported into India?—There has.

123. (*Lord Balfour of Burleigh.*) Can you account in any way for the fact which you state here that opium of all commodities is the one the price of which has been affected?—Opium is entirely consumed in China, and China being on a silver basis

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the purchasing power of silver having gone down materially, the rupee price of opium has to some extent been forced down thereby. Practically the whole opium crop is consumed in China and the Straits; there is a little goes to Java, but not very much.

124. (Sir Charles Crosthwaite.) You say you do not think the price of commodities has been affected?—I think it is very difficult to say that prices of commodities have been materially affected.

125. If you only mean that it is difficult to say, I have nothing further to ask you; but if you say that they have not been affected, I should like to ask you another question?—Well, it is impossible to say that they have been affected by the closing of the mints.

126. In answer to a question by the Chairman, I understood you to say that fewer rupees would now buy the same quantity of goods?—Fewer rupees will buy the same quantity of English goods.

127. Only English goods?—I should say so.

128. Then I should like to ask you why you think that a merchant here would pay more for the rupee if he is not to get more Indian produce with that rupee. How could he afford to pay 1s. 4d. if he only gets the same quantity of Indian produce as he got before when he only paid 1s. 1d.?—Prices on this side may have responded. Wheat, for instance, has gone up from 20s. a quarter to 50s.

129. But supposing the gold price had remained constant?—The gold price remaining constant, there would naturally be a tendency to lower either the price of commodities, the price of English exports, or the cost of transportation.

130. Do you admit that the gold price remaining constant, an artificial rise caused in the value of the rupee by the closing of the mints must tend to have an effect on the price of Indian produce?—I should like to say that the artificial rise that has taken place has been very slight.

131. But, given that it is slight, however slight it may be, *pro tanto*, there ought to be some effect?—Undoubtedly there would be. Within six months previous to the closing of the mints we had exchange at about 1s. 4d.; so that there has not been a very large adjustment to take place.

132. When you answer these questions are you speaking of your own knowledge? Have you been in India lately?—Oh yes.

133. Have you been dealing with producers there?—I have been associating with them constantly.

134. But have you actually been buying produce in India?—I am speaking of my experience when I was resident in India and doing business there.

135. Have you lived in the interior of India at all?—My time has been mainly spent in Calcutta and Bombay.

136. Have you had dealings with the cultivators?—Yes, indirectly.

137. In the evidence that you gave before Lord Herschell's Committee I understand you to hold that the rupee has given no larger returns apparently to the cultivators of India; that is to say, the fall in the value of the rupee did not give them more rupees for their produce?—I think that is so because during the last 20 years there has been practically a constant fall in the value of commodities, and though the rupee went on falling, practically the cultivators were getting no more.

138. And now you think it would be unwise to go on raising the rupee?—I think it would be a great mistake to attempt to raise the rupee very much. I do not think it would be desirable to go on raising the rupee above 1s. 4d.

139. What I wanted to find out was whether you held that this sort of fluctuation in the rupee has no effect on the price of products in India to the producer. You said that the low rupee does not give larger returns to the cultivator in India?—I think on the whole the low rupee did not give very much larger returns to the cultivator. I think about the

time the mints were closed, about 1893, there was a slight tendency for the rupee price to rise, but up to then I think that practically the producer in India had got no higher prices for his produce, despite the fall in the exchange value of the rupee from 2s. to 1s. 4d.

140. (Chairman.) You think the merchant got it?—No; I think that owing to the fall in gold prices all over the world there had to be an adjustment made.

141. (Sir David Barbour.) I understand you to say that, as compared with what was the case in former years, the producer who lived under a gold standard got a lower price immediately before 1893 than the producer who lived under a silver standard got?—Yes, I think so.

142. (Chairman.) Are not the bulk of the contracts for Indian products which are sold in London always made on a gold basis?—The seller, say of wheat, in Calcutta gets an offer of so much per quarter in shillings for wheat delivered *ex ship* in London, and if he fixes his rupee price, his insurance, and his freight, to enable him to get the operation through at sterling value in London, the operation goes through.

143. Then supposing that the sterling rate was taken on the basis of 15 rupees to the sovereign, that would mean one price in Calcutta, and suppose the exchange were the other way and it was taken at 20 rupees, still the price would be the same, but the exchange value would vary, is that so?—The gold price would vary.

144. (Sir John Muir.) But the native would receive a much larger price for his wheat?—Naturally one would think so if the price was constant; but if the exchange fell, you would find the price in London would fall, too. It would be the same if freights fell.

145. (Mr. Campbell.) Is that necessarily so?—That is the case. If wheat is being offered from Calcutta at, say, 45s. a quarter on the basis of an exchange of 1s. 4d., and on the basis of a freight of 35s., and if then the freight falls 5s. per ton the purchaser in Mark Lane or Mincing Lane knows just as well as the man in Calcutta that freights have fallen, and he immediately lowers his buying price; but if exchange falls from 1s. 4d. to 1s. 2d. he will lower his buying price, too.

146. (Sir John Muir.) I understand the question put to you by the Chairman was, supposing the rupees should be 20 instead of 15, that naturally would give a great advantage to the native producer?—Not necessarily.

147. (Sir David Barbour.) It would, other things being equal?—Other things being equal, but I should say that as a shipowner, if I saw a reduction in exchange from 1s. 4d. to 1s. 2d., and I had been quoting 30s. for a certain freight, I should then demand quite 40s. But things do not remain constant.

148. (Lord Balfour of Burleigh.) But surely whether you could get 40s. instead of 30s. for your freight would depend on whether some other ship were waiting to take the same cargo, would it not irrespective of exchange?—Not quite; because other shipowners would do the same as I should.

149. (Sir David Barbour.) If exchange fell, you might expect that more produce would come forward and you would be in a position to ask for a higher rate?—That is the point.

150. (Chairman.) Assuming, as we must for the purposes of the argument, that everything is equal, that there is the same rate of freight, and everything is precisely the same, but that the sovereign is worth on one day, as Sir David Barbour put it, 20 rupees and on another day 15 rupees, how would that affect the price of produce?—Assuming that the seller in India was content to take the same profit and to hand over any excess of profit to the cultivator, no doubt the cultivator would get it.

151. But assuming that he tried to intercept it?—Then the cultivator would certainly not get it.

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152. (*Mr. Hambro.*) In your evidence before the Harschell Committee in 1892, at Question 1069, you say, "I should say the fall in exchange has not stimulated the trade between India and gold-using countries. It may be that there has been what I might call an illegitimate stimulus given to trade between Bombay and China through the depreciation of the standard of value in India in competing with Lancashire." Would not that necessarily apply all round?—It would scarcely answer, would it, in dealing with gold countries.

153. But when you said that the price of opium had fallen so much, I was wondering whether that was not the reason—that the low exchange would act in the way of a stimulus to all exports?—I think a declining exchange certainly does for the moment stimulate exports. I have always held so.

154. And a rising exchange would do the opposite?—That would check them.

155. (*Chairman.*) You say that the low price of exchange would stimulate exports for the moment?—For the moment it would appear to stimulate them; but I do not think that that applies to the bulk of exports. It would do it in this way. A man may be putting through a transaction and may find it difficult to bring the buyer and seller together; then, if he can get a difference of exchange of even a farthing or a halfpenny, that would enable him to put that business through. It gives him that stimulus.

156. Now we will come to the second objection; "That the closing of the Indian mints would lower the price of silver, and that the natives of India who are large possessors of silver in the shape of ornaments would suffer thereby, and also by not being permitted to coin their silver into rupees when they desired to do so, and that political trouble would arise." What have you to say upon that objection?—As to that, I can only say that there is no discontent among the natives of India.

157. But what do you say as to the first clause, "That the closing of the Indian mints would lower the price of silver"? Since the closing of the Indian mints the price has been less?—Undoubtedly.

158. It has not affected the price of ornaments?—It has lowered the price of ornaments, too.

159. In the bazaars?—Undoubtedly, silver ornaments are now much cheaper than they were.

160. Prior to the closing of the mints, of course, they could turn their silver into rupees at their intrinsic value, and they cannot do that now?—No, they cannot.

161. What is your opinion as to the effect of that generally on the natives of India?—The anticipation was that political trouble would arise in consequence of that, and, so far as I have any evidence, no trouble has arisen whatever.

162. What do you say to the statements which have been made in this country that the action of the closing of the mints has been to rob the people of India of a proportion of their property by depriving it of its convertible character?—There can be no question whatever that the closing of the mints has deprived the people of the power of converting their ornaments into rupees; but I am not aware that people want to convert their ornaments into rupees except to sell them.

163. Although the practice did prevail to some extent, you do not think that it was a universal practice, the constant taking of ornaments to the mints to be coined?—I think the figures show that there were very few ornaments taken to the mints. In times of famine, I believe, some have been taken.

164. (*Sir John Muir.*) Is it not the fact that the natives of India regarded these ornaments as more or less an available asset when the mints were opened for coinage?—I do not think the natives of India knew that the mints were open for coinage at all.

165. (*Sir David Barbour.*) They sell them in the bazaars?—Exactly. A woman having a bangle or an anklet or a nose-ring, if she wishes to realise on it, will

sell it to the silversmith in the bazaar. She does not know there is such a thing as a mint.

166. And when ornaments come to the mint they come in considerable quantity. The articles are collected by somebody who sends a quantity to the mint?—Exactly.

167. (*Sir John Muir.*) Still, it comes to the same thing. When they could get these articles from the bazaar into the mint, it enabled them to convert their bangles and so on into silver?—And they can still do that.

168. But if the bangles do not fetch the same price, is not that a depreciation of their value to the owner?—Undoubtedly. The value of ornaments is less than it was before, owing to the price of silver. There is no doubt about that.

169. Anybody bringing his ornaments to the Bombay mint would now get 30 per cent. less value?—But as one of the members of the Committee pointed out, the owner of the bangle does not take it direct to the mint himself.

170. But, however it gets to the mint, whether he takes it himself or it goes to the mint with a lot of other articles, 30 per cent. less is given for it?—To begin with, suppose that before the closing of the mints a bangle cost five rupees, the intrinsic value of that bangle would probably not be more than 3 r. 4 a., or 3 r. 8 a. There is the labour of making the bangle.

171. But before the closing of the mints, when he brought the bangle to the mint, or when it got there through anybody else with other articles, he got pretty nearly the same number of rupees that it cost. At any rate, leaving out of the question the cost of labour, he got weight for weight the silver the bangle contained?—Suppose a man buys a made bangle for five rupees.

172. But whatever the cost of the bangle, he could take it to the mint and get weight for weight for the silver in it?—If he gives five rupees for it, the intrinsic value may not be more than 3 r. 8 a. or 3 r. 12 a.

173. But if its intrinsic value was five rupees, he would get five rupees of silver for it?—Yes.

174. Now instead of that he gets 30 per cent. less?—On the other hand, for a bangle that he previously paid five rupees for he would now probably only pay 3 r. 8 a.

175. But I am talking of his old savings, articles he has had from some time before the closing of the mints?—His savings in bangles you mean?

176. In bangles?—Undoubtedly they have gone down in value. They also, of course, had gone down in gold value 30 per cent. before.

(*Sir David Barbour.*) There are, of course, a great many bangles and other silver ornaments that are sold that never go to the mints. I think it is only in Bombay that they are sent to the mint, or that it has only been to the Bombay mint that they have been tendered.

177. (*Chairman.*) However, we may take it that you are of opinion that practically no feeling has been aroused on the part of the natives of India who are possessors of silver in the shape of ornaments because of the closing of the mints?—That is so.

178. (*Sir John Muir.*) Was there not a petition in Bombay signed by a number of Parsees and Mahomedans and Hindus against the closing of the mints?—I did not hear of it.

179. You do not know that there was that expression of feeling?—No.

180. I have had reference to that effect?—No evidence of a feeling of that kind came to my knowledge, and I went all through India.

181. (*Chairman.*) Now the next objection is "That the export trade of India was favoured by a low, or declining exchange, and that it would injure it to arrest its fall." Will you explain the objection, and then will you give us your answer to it?—The objection is stated there. The export trade of India is favoured, they say, by a low or declining exchange.

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182. That is, that more of the products of India would be taken on a declining exchange?—And that it would injure the export trade to arrest the fall.

183. Now what do you say to that?—I answer that by showing that on the exports of private merchandise there has practically been no injury done to the trade of India. I put in the following table:—

EXPORTS OF PRIVATE MERCHANDISE FROM INDIA.

	Rx.		Rx.
1882-83	83,400,865	1890-91	100,135,722
1883-84	88,121,296	1891-92	108,036,010
1884-85	83,200,528	1892-93	106,535,997
1885-86	83, 27,840	1893-94	106,447,590
1886-87	88,428,660	1894-95	108,814,999
1887-88	90,471,462	1895-96	114,263,140
1888-89	96,978,171	*1896-97	103,914,297
1889-90	103,896,862	*1897-98	97,530,672

* Famine years.

184. Was there a general impression among the mercantile classes in India prior to the closing of the mints that injury to the export trade was certain to follow?—I think so.

185. Was that one of the objections that would weigh in India?—Yes. There is no doubt that there are a great many of the export houses in India who do favour a low and declining exchange. They believe that a low exchange favours exports.

186. Let us take a concrete case: let us take the case of the growers of tea. Would they gain by a low exchange?—On the whole the balance of gain is in favour of the tea growers for a time.

187. But the raising of the value of the rupee would be an advantage to them in respect of the European charges they have to incur?—Yes.

188. Therefore, you do not think there is much advantage in that either way?—No.

189. Your opinion is that the export trade of India has not been injured, or would not be injured, by arresting the fall of the rupee?—I think it would not be injured by the rupee remaining at 1s. 4d.

190. (Lord Balfour of Burleigh.) Referring to your table of exports of private merchandise from India, it is obvious that on the last two years you give, 1896-97 and 1897-98, there is a fall?—That is so.

191. You put an asterisk to each of those years, and describe them as famine years?—Yes.

192. What do you mean us to understand by that?—That there was less to export from India during those years.

193. But do you wish us to understand that that explains the whole of the fall?—Probably, I think. I should attribute it to that.

194. I see you give the figures here in tens of rupees, but for each of them this must be for only parts of each year. What is the date in each of the calendar years of the commencement of your year?—The 1st April to the 31st March.

195. In fact the Imperial financial year?—Yes.

196. When did the famine begin to be severely felt in 1896?—I think in the cold weather of 1896.

197. Can you give me a date?—About November.

198. Then are you able to say that the whole of this fall which is represented in 1896-97 took place after November of that year? Just let us get this quite clear. You will see that the fall was from Rx. 114,263,140 to Rx. 103,914,297. Have you examined the figures to ascertain that the whole of that fall took place after November 1896?—No, I cannot say that I have done that.

199. If it did not, it is obvious that it would not be owing to the famine?—I think that during practically the whole of 1896 there was considerable scarcity in India.

200. I understood you to say that the famine did not begin to be severely felt till November?—Not severely felt, but practically there was pressure.

201. Even supposing famine began before that, the fact of their being a famine would not begin to show itself until later?—Prices rise immediately.

202. But it would not interfere with the exports of tea, for example?—No.

203. In fact it would not interfere with any exports, except those which were food stuffs?—Yes, it would affect cereals of all sorts.

204. (Sir David Barbour.) Seeds and cotton?—Seeds and cotton.

205. (Lord Balfour of Burleigh.) Will you oblige us—I do not say now, but at your convenience—by taking the years 1895-96, 1896-97, and 1897-98, and giving us month by month the exports for each month? It must already have been done, to get at this total?—Yes, I will be pleased to get the figures out for you.*

206. (Sir John Muir.) I think your argument is that the exports of tea from India have increased?—Yes.

207. But how were those exports to be prevented from increasing; because the estates are being extended, and the amount of tea grown in India has very largely increased? I suppose the returns could not have shown a falling off, unless the tea had not been grown?—My point is this: The 13th objection is "That the tea industry in India would suffer." It was objected on the part of those who were nervous about the closing of the mints that the tea industry in India would suffer, and the figures here are merely put forward to show that apparently the tea industry has not suffered.

* The witness subsequently handed in the following statement:—

GROSS EXPORTS OF MERCHANDISE FROM INDIA ON PRIVATE ACCOUNT.

Month.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.	1896-97.	1897-98.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
April	11,363,301	10,309,090	10,329,493	10,974,049	10,658,264	9,755,243	9,806,556	7,213,950
May	9,987,804	10,161,732	10,568,518	10,531,437	11,042,068	10,086,484	9,127,448	8,096,313
June	7,096,678	10,051,772	7,884,891	9,070,358	8,251,468	8,012,267	8,602,857	7,198,737
July	7,484,862	6,420,330	6,952,999	6,697,382	8,436,703	8,811,574	7,371,998	7,623,535
August	6,360,577	6,981,025	6,916,003	6,464,962	7,971,203	7,688,153	7,114,909	7,175,705
September	6,370,446	8,050,459	7,360,606	7,204,971	7,235,179	7,786,364	7,953,845	6,579,472
October	6,964,512	8,351,047	7,305,496	7,225,331	8,535,632	9,364,713	8,420,939	7,461,563
November	7,140,374	6,865,821	8,196,076	8,151,721	7,625,130	8,939,281	8,240,594	8,889,334
December	8,577,931	8,253,053	9,610,740	8,796,692	8,617,326	10,151,852	8,468,131	8,303,146
January	9,412,329	9,050,425	9,469,889	10,665,868	10,457,295	10,758,983	8,730,485	9,363,422
February	8,987,383	10,497,477	9,999,544	9,731,563	10,371,189	11,490,348	9,826,116	9,706,714
March	10,489,525	11,048,479	11,941,742	10,933,256	9,613,542	11,417,878	10,250,419	9,946,027
Adjustment on account of Errors in Monthly Returns	—	—	—	—	—	—	—	18,250
Total	100,135,722	108,036,010	106,535,997	106,447,590	108,814,999	114,263,140	103,914,297	97,530,672

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208. Objection No. 3 is, "That the export trade of India was favoured by a low or declining exchange, and that it would injure it to arrest the fall." Now, I have been noticing, and I daresay you have noticed, the tea returns. There is a very general complaint about the returns of the export of tea and the falling off is attributed to the exchange?—I just cut this out from the *Financial News* this morning before I came up: "Thanks to the largely increased outturn of tea in 1897, 3,526,473 lbs. against 3,025,366 lbs. in 1896, an increase of 501,007 lbs., the Doocars Tea Company is enabled to declare, for the fourth successive year, a dividend equal to 12½ per cent. Prices in the greater part of the season ruled lower, the company's tea realising an average of 7·75d. per pound against 8·26d. per pound in 1896; while the further rise in exchange, by increasing the expenses considerably, reduced the profits. The total acreage under tea was 6,851 acres in 1897 against 6,662 acres in 1896, 5,360½ acres being in full bearing against 5,138½ acres." It seems to me that a company which is able to pay 12½ per cent. is not doing so badly.

209. You will find that as a rule they pay 2½ and 3 per cent. One or two are paying 15 or 20 per cent., but they are excessively well organised and well managed gardens; but the modern gardens I think have almost universally suffered?—Well, I have noticed that the objection is still maintained in some quarters, that an exchange of 1s. 4d. is too high for India, and that it would be better to have a low exchange—perhaps a 6d. exchange. I think that is freely maintained still.

210. (Sir David Barbour.) Look at your own figures under this return of "Exports of private merchandise from India." In 1893-94 they are high; in 1894-95 they are high; in 1895-96 they are higher still. Yet in those years the exchange was low?—That is so.

211. Exchange was higher in 1896-97 and 1897-98?—It was.

212. And the strange thing is that with reduced exports the exchange kept rising?—Yes, it is curious.

213. Now as regards the stimulus given by a fall in exchange, I think the argument is, that with the lower exchange more produce is sent out of the country, but of course it is no gain to a country merely to send away more of its produce. If merely more produce goes out, that is a loss to the country, is it not?—Undoubtedly.

214. So that if there is to be a gain in that way to the country as a whole, the fall in exchange must increase the imports too?—Yes.

215. A fall in exchange must increase both the exports and the imports; that is the argument?—Yes.

216. And a rise in exchange would have the opposite effect?—Yes.

217. There is a difficulty if you apply that to England. A fall in the Indian exchange means a rise in the English exchange necessarily. The two things are exactly the same, but looked at from different points of view. And, if you look at the fall in the Indian exchange from the side of England, you have a rise in the English exchange. And by the argument a rise in the English exchange should reduce both the English exports and imports, which are the same as the Indian imports and exports, and thus you have the same operation both increasing and diminishing the international trade, according to the point of view from which you look at it?—That is so.

218. I have never been able to get over that?—I cannot get over it.

219. And if the fall in exchange is a good thing for India, have you ever been able to arrive at the limit where the fall ceases to be beneficial?—I think that is where the fallacy of the contention shows itself.

220. Have you ever been able to find the point at which people admitted that a further fall would do no good?—No, I have not. If a shilling is better

than 1s. 4d., naturally 8d. is better than 1s., and 4d. is better than 8d., and so you get down to nothing.

221. And so your prosperity would be indefinitely increased if the rupee was worth nothing?—That is so.

222. Now if the exchange was formerly 2s. for the rupee, assuming that there is a benefit from the fall in exchange to the producer, he has had that benefit to the extent of 8d. out of 2s., which is one-third; do you not think he might reasonably be content with that, and allow other interests to have a chance?—I certainly do think so.

223. (Sir Charles Crosthwaite.) It appears to me that the debt of India has to be paid in produce; it must be in exports that it is paid; then if the gold price remains the same, what is the effect of the fall in the rupee, the gold price remaining the same?—What is the effect on what?

224. On the rupee price of produce?—If the gold price remained constant here?

225. Yes, and on the amount that India has to remit to pay her gold debt?—She would not have to remit so much if the gold price were higher.

226. The gold price of produce remaining the same, and the rupee low, India has to remit a certain amount of produce?—Yes.

227. The gold price remaining the same and the rupee higher, would she have to remit more or less produce?—It depends on what her indebtedness is. If she takes the same amount of European goods, she will have to export a larger amount—very much larger.

228. And in the other case?—In the other case I think it is of really very little consequence. The rupee is purely a measure of value.

229. (Sir Alfred Dent.) With regard to the figures you gave of "Exports of Private Merchandise," may I ask what "private merchandise" means? Why is the word "private" used?—As against Government merchandise.

230. You mean against opium, and so on?—Against Government stores.

231. Which would include opium?—It would not include opium. It is Government stores, &c. They are always separated.

232. You give several years here, and the last two do not come up to the usual rate of progress. You attribute that to the famine?—Yes.

233. But is it not the fact that up to quite lately the whole of this merchandise had been financed at a very low exchange, and that the 1s. 4d. rate has not yet begun to tell on the exports?—My point rather is this, that the intrinsic value of the rupee is 10d. and exchange is 1s. 2½d., and still the export trade goes on; and that the divorce of silver or the division between silver and the rupee having been very marked, still the trade of the country goes on as happily as ever.

234. I am thinking rather of the future, and my point is that of late years this trade has been financed at a low rupee, quite regardless of the intrinsic value of it. Now the Indian currency scheme is beginning to tell, and the rupee is put up to 1s. 4d., that is beginning to have an effect, and will have an effect in future on the export of private merchandise?—The value of the rupee last year was about 1s. 2½d. It would only be a rise of 1½d. to 1s. 4d.

235. Do you think the export trade will be damaged in the future if the rupee is maintained at 1s. 4d.?—I certainly do not think it will.

236. Whatever may be said about its effect on the tea estates in Ceylon and India, the general effect on exports, you think, will go on?—I think so.

237. (Mr. Robert Campbell.) You say that the fear that the export trade of India would be favoured by a low exchange has not been justified. Considering that it is only within the two last years that it has ever been touched, and that previous to that the exchange for the three years averaged about 1s. 2½d., the effect of the high exchange has never been felt?

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—The objection that was raised to the closing of the Indian mints, and to the free coinage of silver, and to the divorce of the rupee from silver was this: that silver is going very much away from the rupee, and that countries that remained on a silver basis would benefit so much by being on a silver basis, while India was on a gold basis, that it would injure Indian trade. I say that although the rupee has gone down intrinsically to 10d., and though China and other silver-using countries have had the benefit of that fall, still the export trade of India has not suffered.

238. What was in people's mind at this time was that the closing of the mints would establish a 1s. 4d. rate, which 1s. 4d. rate would act prejudicially on India's export trade. The result was not what people expected. Instead of exchange rising to 1s. 4d. it fell at one time as low as 1s. 0½d. So that what I put to you is this: Is it quite right to say that the predictions as to the effect of a 1s. 4d. rate on export trade have not been verified, when in point of fact the rate never reached 1s. 4d. at all; the only time when the rate reached 1s. 4d. was in the two last years referred to by Lord Balfour of Burleigh, when there was a very heavy reduction in Council Bills?—I will put in the following table, showing the difference between the rates of exchange with India and the intrinsic value of the rupee:—

Year.	Lowest Price of Silver.	Intrinsic Value of the Rupee.	Exchange Value of the Rupee.
	s. d.	s. d.	s. d.
1893	2 9	0 11½	1 2½
1894	2 3	0 10	1 1
1895	2 3	0 10	1 1½
1896	2 5	0 10½	1 2½
1897	1 11½	0 8½	1 4½

I take it, and I always did take it, that the objections raised to the closing of the mints in India were that India would go off a silver basis and go on to a gold basis, and that her exports would suffer in comparison with the exports of China and countries like China which remain on a silver basis. I say that despite the fall in the intrinsic value of the rupee to something like 10d. and the maintenance of the gold value of the rupee at 1s. 4d., the export trade of India has not suffered, and I maintain that although we remain at 1s. 4d., or in the neighbourhood of 1s. 4d., the export trade of India will not be injured.

239. Then, as regards the effect of a low rate on exports, it is not altogether, I think, a question whether it is good for the country, but it is a question whether

it is necessary to enable the country to pay its debt. India has got to remit some 17,000,000 every year for home charges, which she has to do by the surplus of her exports of produce over her imports, and the question is, not whether a low exchange is *intrinsically* for the benefit of the country, but whether it *would* not be necessary in order to induce the exports required to pay that debt?—My opinion is that the exports of India will not be benefited in the aggregate by a low or declining exchange, and I would point to the fact that India was able to pay her debts when the exchange was 2s.

240. But the debt was smaller then than it is now?—That may be, but the country has developed very materially in the interval, and the population has very materially increased.

241. (Mr. Le Marchant.) With regard to the falling off of exports during the two years which you have marked as famine years—is it in the latter part of the year that exports would in ordinary course come forward, so that there was time in the first of those years for the famine to affect exports?—That is so. The principal export season is from October to April, and I think, if I may be permitted to say so, that 1896–97 and 1897–98 were also unfortunately plague years in Bombay, and I think the trade of Bombay was very materially affected in consequence of the great exodus from Bombay and the great restrictions that were put upon trade.

242. Do the imports coming forward, now that the famine is over, show a tendency to return to a high aggregate?—They do.

243. From your knowledge as a member of a shipping firm, as well as from general reports, do you see indications that the demand for freights point to a full year?—That is so.

244. And this although the rupee is at 1s. 4d.?—Or over 1s. 4d.

245. Showing, if I may draw an inference, that there are many causes beside exchange—for instance, high price of wheat and good seasons—that bear on the subject?—Entirely.

246. With regard to the question whether a low exchange benefits the country, may it be the case that while exchange is declining there is a stimulus, but that that force may conceivably lose itself after a period, prices being adjusted, and whatever stimulus has been given dying out?—That is so.

247. (Chairman.) The next objection is "That the Government revenue from railways and canals would greatly decrease." I suppose your answer to that is simply that it has not done so?—That is so, and I put in the following table showing the returns from railways and canals during the last 15 years:—

RECEIPTS FROM RAILWAYS AND IRRIGATION WORKS.

Year.	Railways.			Irrigation.		
	State Railways, Net Receipts.	Guaranteed Railways, Net Traffic Receipts.	Total.	Net Receipt, excluding Interest on Debt.	Interest on Debt.	Net Charge.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1883–84	4,378,643	3,688,143	8,066,786	346,465	898,665	547,200
1884–85	4,206,317	4,478,300	7,684,617	358,985	882,012	573,017
1885–86	5,056,798	3,725,075	8,781,873	249,378	964,847	715,469
1886–87	5,609,138	3,647,116	9,256,254	338,642	992,591	653,949
1887–88	5,277,739	3,836,670	8,914,409	270,170	1,017,542	747,372
1888–89	5,767,864	3,650,808	9,418,672	318,471	1,040,717	722,246
1889–90	6,528,425	3,168,661	9,697,086	399,034	1,066,688	661,629
1890–91	6,931,284	3,501,274	10,432,558	511,639	1,081,488	569,849
1891–92	8,197,454	3,493,118	11,690,572	486,692	1,109,678	672,986
1892–93	7,869,939	3,244,413	11,114,352	616,809	1,138,386	521,577
1893–94	8,615,182	3,668,812	11,998,944	599,400	1,165,558	566,158
1894–95	9,361,124	3,050,811	12,411,435	560,150	1,194,116	613,966
1895–96	9,517,863	3,275,288	12,793,151	546,061	1,222,409	676,348
1896–97	8,820,051	2,634,164	11,454,215	1,153,109	1,253,479	1,100,370
1897–98	9,695,900	2,160,000	11,855,900	1,737,000	1,284,100	1,152,900
(Revised Estimate.)						

* Net receipt (famine year).

248. (Sir Francis Mowatt.) Are the receipts taken on the same mileage of railways and canals, or has that mileage been increased during the last few years, and if so, would not that affect the receipts?—The mileage has been increased, but not to any material extent. The opened lines have not been materially increased. There is a considerable construction going on.

249. But not sufficient to affect the receipts in the last few years?—No.

250. (Chairman.) The next objection was this: "That the balance of trade would go against India if the rupee were prevented from falling with silver?"—I will put in here a table giving figures for the last 18 years, and those figures do not show that the balance has gone against India.

(The following table was handed in.)

EXCESS OF EXPORTS OVER IMPORTS OF PRIVATE
MERCHANDISE.

	Rx.		Rx.
1882-83	- 33,397,824	1890-91	- 31,109,822
1883-84	- 35,417,405	1891-92	- 41,448,553
1884-85	- 30,051,317	1892-93	- 43,930,967
1885-86	- 32,016,304	1893-94	- 32,490,633
1886-87	- 29,767,198	1894-95	- 38,647,561
1887-88	- 28,086,849	1895-96	- 44,946,745
1888-89	- 30,407,853	*1896-97	- 31,999,600
1889-90	- 36,836,741	*1897-98	- 28,145,700

* Famine years.

251. (Sir David Barbour.) These figures do not include gold and silver?—No.

252. If you included gold and silver, there would be a considerably lower excess of exports over imports?—No doubt.

253. I suppose you admit that for the last two years India has not met her liabilities?—No, she has not.

254. (Chairman.) I suppose these figures are based upon values; you have not gone into quantities?—Values simply.

255. That would be subject to depreciation in prices?—Undoubtedly.

256. Of course, in dealing with combined totals of various commodities, you can only speak of values?—That is so.

257. (Mr. Holland.) You told us a short time ago that the price of opium was now lower than it had been at any previous period, and you accounted for that unprecedentedly low price by the fact that it had to be sold in China. Would not the same cause be likely to produce the same effect with regard to other products?—Undoubtedly.

258. The exports of cotton, for instance, to the Chinese markets would be prejudicially affected in the same way?—No doubt.

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Adjourned.

SECOND DAY.

Tuesday, 24th May 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, Secretary.

SIR JAMES L. MACKAY, K.C.I.E., recalled and further examined.

259. (Chairman.) We are on No. 6 of the objections that were raised to the closing of the mints. That objection was: "That if the rupee were maintained in exchange above the price of silver, illicit coining would become rife, and the country would be flooded with false rupees of proper weight and fineness, and thus the rupee would sink to silver level." Now what have you to say to that?—There is no evidence whatever that false coining has increased in India, and there has not been one authentic case produced of a rupee having been coined, other than by the Government mints, of the same weight and fineness as a genuine coin.

260. That is negative; you say there is no evidence of it, but as a matter of fact, what is your opinion upon it?—I made particular inquiry when I was out there the other day, and I have not heard of a single case of a rupee of the same weight and fineness as the real coin having been seen. I had one rupee

sent home to me about six months ago. I saw a report in a letter of my own firm in Calcutta, saying that a number of rupees of the ordinary weight and fineness were being coined and put into circulation. I wrote out and asked them to send me home one. They sent me one home, and I handed it over to the India Office; they sent it to the Government at Calcutta, and they got a report from the Master of the Mint to the effect that it was actually made in the Bombay Mint in 1860.

(Mr. Campbell.) I have had some experience in regard to that matter also. We are constantly shipping coin from India to Ceylon, and on one or two occasions we have been told that a certain number of coins in each shipment were supposed to be false. On one shipment of a lakh of rupees, there were 15 coins picked out which were said to be false, and they were sent to Calcutta; some of them were passed as all right, some of them were said to be spurious.

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and some they could not tell whether they were spurious or no.

261. (Chairman.) Then in your opinion, Sir James, there was nothing of any consequence?—Nothing of any consequence.

262. Of course, there is spurious coinage going on to some extent?—Yes, there are a certain number of convictions every year, and there have been from time immemorial.

(Mr. Campbell.) The coins I spoke of were of fall intrinsic value.

263. (Chairman.) Now we will pass to the next point which I think you have answered in reference to objection No. 2, namely, that it would create a vague feeling of discontent?—There is nothing to show that the measure has raised a feeling of discontent in the country.

264. You are not aware of any facts?—No.

265. Now we come to a more important objection. You say the opinion was entertained that it would give Government the power of coinage instead of letting coinage be automatically adjusted, and the Government might manipulate the currency for its own purposes. Will you just explain the meaning of that objection?—In regard to that objection, I think there must have been some misconception as to the scope and intention of the measure. Government can only, and will only, coin rupees when there is a legitimate demand for them for currency purposes. They are obliged under the law to supply rupees in exchange for gold or sovereigns at the rate of 15 to the sovereign. They cannot, without being guilty of an act of dishonesty, coin rupees with the object, say, of paying their debts, any more than they can print currency notes and put them into circulation without having a metallic reserve behind them, as required by the Paper Currency Act.

266. I suppose by that we are to understand that your opinion would be that the Government would be acting not only dishonestly, but illegally, if they coined rupees except in exchange for gold?—That is so.

267. That is, that the mints being closed, the Government, so far as coin is concerned, is precisely in the same position as a person bringing silver to the mint, they cannot have it coined except in exchange for gold?—No.

268. (Sir David Barbour.) I think the Government has the power at present to coin rupees if it likes?—They have the power of coining rupees and issuing them to the public in return for gold.

269. But the Government actually did coin rupees out of silver taken over from the banks?—Yes.

270. That power can be taken away by legislation if necessary?—But if it was found that they were doing that for the purpose of paying their debt, undoubtedly the power would be taken away.

271. The Government of this country has power to coin shillings and half-crowns, but if they proceeded to coin shillings and half-crowns to an extent not required there would probably be a question raised in Parliament about it?—Of course.

272. And if the object of the Government of India is to establish a gold standard, the coining of rupees in that way would be the surest way of ruining their own scheme?—Exactly.

273. (Mr. Hambro.) I should like to ask what is meant by "legitimate demand." I should have thought a legitimate demand would mean when a man has good security and wants money the Government should be obliged to advance him money to enable him to carry on his trade?—I take it the Government are not obliged to advance money against securities.

274. But there should be enough money for the purposes of trade?—Is not that more to do with the supply of loanable capital than with currency?

275. I have always considered that there should be enough currency in the country for the purposes of trade. For instance, let me ask you this: Do you think that a test of redundancy is the maintenance of

the rupee at 1s. 4d.? I want to know what you mean by "legitimate demand"?—I say that if a person wants more currency from the Government he can get it on demand by tendering his gold.

276. In England we use cheques when we buy things. In India there is nothing but currency if you wish to buy anything?—There is a very large active banking system throughout India.

277. But surely all over the country people buy and sell by currency?—No. In all small transactions they use either notes or rupee pieces, but there is a very large banking system.

278. I have been informed that in 1896 the stringency was so great that the Government of India substituted securities for coin in their Treasury reserve and issued the rupees in order to relieve the stringency. Is that the fact?—The Government, as I understand it, took two crores of rupees out of the currency reserve and put them into their cash balances.

279. Was it not because there was such a stringency of money that people, even on the security of gold, had been paying as high as 24 per cent. per annum for the loan currency of the country?—That I attribute to the want of confidence.

280. Confidence in the gold standard?—I attribute that to the want of confidence in the currency policy of the Government.

281. Then they wanted that which you say they had no confidence in?—Instead of buying rupees at the rate of 1s. 4d., they preferred to pledge their gold and get the loan of rupees, and that enabled them to put their gold back again when they had discharged their obligation. If they had put that gold into the mint they could not have got it again when exchange fell.

282. When in England currency is wanted—I mean the token coin of England—the Government coin half-crowns and shillings enough for the purposes of trade?—Only in exchange for gold, and that is precisely what is done in India.

283. But India is not on a gold basis yet; it is still on a rupee basis, with a fixed exchange?—I take it that India is not now on a silver standard. She has closed the mint to the free coinage of silver, and she will only give currency in exchange for gold.

284. But you cannot pay in sovereigns in India?—You can discharge your obligations to the Government in sovereigns.

285. But I mean amongst one another?—I do not think a sovereign is yet a legal tender, but a man would have no difficulty in discharging his obligations in gold.

286. Then you think the trade of India is not in any way affected by the fact of the rupee being scarce?—I think the trade of India is very much handicapped owing to the want of loanable capital in the country. There is an absence of capital by which people carrying on trade can obtain accommodation.

287. You mean the banks cannot lend money?—Several of the exchange banks have remitted their capital to this country, and they have no capital of their own which they can lend to the public. A large number of those who had capital in India have also, during the last 12 months, taken advantage of the 1s. 4d. exchange to make their remittances home, and the country has been to a great extent denuded of capital.

288. Then you think there is no legitimate demand for trading purposes which the Government ought to supply?—There has been a demand for 170,000l. in gold has been paid over to the mint, and those rupees have been paid to the tenderers of gold.

289. (Mr. Holland.) I understand that you in your evidence that it was apprehended in the 1893 that Government might manipulate the currency for its own purposes, and you maintain now that apprehension has no foundation in fact. But do not think it would be open to those individuals entertained that theory in 1893 to say that?

Government is manipulating the currency for its own purposes, those purposes being the establishing of a gold standard?—No, I think not.

290. (*Mr. Campbell.*) As regards the Government power of coinage, apart from their coinage for the public, I take it that the power of coinage can only be used if gold were held in the Currency Department, and it became necessary to coin silver, bought with a portion of that gold?—That is so.

291. Further, that if the Government were to coin silver, otherwise, they would have to pay for it by increasing their Council drawings?—Yes.

292. Thereby tending to defeat their object by keeping the exchange below 1s. 4d.?—Yes.

293. (*Mr. Le Marchant.*) May I ask you this with regard to "legitimate demand." I take it that in this country the Government has no power to issue currency of a full legal tender description against security unless the Bank Act is suspended?—So I take it.

294. They might, as I understand, issue token coinage against gold?—Yes.

(*Chairman.*) Perhaps it would be well here to get upon our notes this letter from Sir C. W. Fremantle, which is given on page 236 of the Herschell Committee's Report. This is an extract from a letter from Sir Charles Fremantle to Sir Thomas Farrer:—"Royal Mint, 27th March, 1893.—Although I am not able to refer to any specific regulations which deny to the Bank of England the right of obtaining silver coin for gold, and the Act of 1816 and the present Coinage Act are silent on the point, I have no hesitation in saying that the Bank has no such right. Some 40 years ago the Mint would only issue silver coin to the Bank under the express direction of the Treasury, a fact which indicates that the Bank could not as a matter of course obtain it on demand; indeed, our records mention cases in which the application of the Bank was refused. It would obviously be against the public interest to allow to anyone the right to obtain any amount of token coins, as a super-abundance of token coinage would lead to much inconvenience, and possibly to its depreciation. To guard against an over issue the Government has an arrangement with the Bank of England, the Bank of Ireland, the Scotch Banks, and Colonial Governments, under which token coins are issued through these bodies, who are in a position of responsibility, and who can best judge what amount of coin is actually required for circulation."

295. (*Sir David Barbour.*) I understand from that that the issue of token coins in this country is absolutely at the discretion of the Government?—It is at the discretion of the Government, although it is by arrangement with the Bank.

(*Chairman.*) I think so; it is the Government acting through the Treasury.

296. (*Mr. Le Marchant.*) Now, with regard to this remark about issuing against legitimate demands; though the phrase token coinage is used, in the case of India the token is legal tender to any amount, and here, as I understand it, only to 40s. in the case of silver. Is that so?—That is so.

297. Am I right in taking your sentence as meaning that there is no power in India for issuing full legal tender except against the payment of gold?—That is so.

298. (*Sir David Barbour.*) Surely the Government can coin rupees to any extent they like at present?—But they will not give them out to the public.

299. But the Government can coin silver which it takes over from the banks, and even when old rupees come in the Government can re-coin them?—Of course.

300. (*Chairman.*) That was provided for; the silver that the banks were actually transmitting, they were bound to coin?—There was no exception in the Act, but the Government did it. It was done by executive order.

301. My impression is that the Government of India are now bound, whenever a man presents to them one sovereign, to give him 15 rupees?—They are.

302. And they are entitled to coin 15 rupees, to that extent?—They are.

(*Sir David Barbour.*) But the Government can revoke that at any time. They are not bound by the Act to do that. That is the difference between India and England.

303. (*Mr. Le Marchant.*) Would you think that it is as much contrary to the spirit of the existing currency provisions in India that fresh currency should be issued except against gold, as it is contrary to existing law or powers in England?—I should think so.

304. (*Lord Balfour of Burleigh.*) On the last point on which there was some discussion, it is the fact, is it not, that under whatever power it was done, the Indian Government did accept for coinage silver to the value of about 2 crores?—Yes, they did that by executive order.

305. (*Sir J. Muir.*) I should like to read to you an extract from a letter I have from Mr. Symons, formerly Chairman of the Bombay Chamber of Commerce, and a Director of the Bank of Bombay. He says, "when I left Bombay on 23rd April, the Bank rate was 13 per cent., the same as it had been for some time past. This rate, however, was nominal to a great extent, for the Bank of Bombay was obliged to refuse loans at as high as 18 per cent., even on the security of Government paper. I understand the position was equally acute in Calcutta. Natives are long-suffering—but once they begin to understand that they are being embarrassed and ruined by the action of Government in keeping up exchange, there is no knowing to what extent the discontent may spread." Does that agree with your view?—There is, undoubtedly, a stringency in the money market, and if a man has entered into obligations which he has not provided for beforehand, he is put to very serious inconvenience. It is entirely a matter of prudence.

306. But will there not be a reasonable complaint among the natives that they cannot get cash, even at 10 per cent., because the banks have not got the money?—Then I should say that they should sell their securities. It is, no doubt, a matter of discontent to those who have to sell them, but it is a matter of congratulation to those who have to buy, so that it is as broad as it is long.

307. But you agree that it is a matter of complaint and discontent?—I have seen no great evidence of it. No doubt there are men who have entered into business engagements which they have not provided the capital to finance, but I do not see that the Government can be blamed for that.

308. (*Mr. Hambro.*) In England, the Government have broken the Bank Act and enabled the public to get money on security when money was tight. In India, the Government will not do anything of that kind?—I think the Indian Government has never, so far, taken upon itself the financing of the trade of India. I take it the advances that these people in Bombay want are not so much upon securities as upon sales of goods.

309. Rupee paper?—I fancy it does not apply to rupee paper. They have been speculating in rupee paper, and it has gone against them.

310. (*Sir J. Muir.*) The complaint was that they had the paper, but could not get silver?—To whom did they apply?

311. To the bank at Bombay?—Then the bank at Bombay has laid out all its capital and has no more to lend.

312. (*Mr. Hambro.*) The point is that the Government does not come to the assistance of trade in India, as it does in England?—No; 30 years ago they were in the habit of leaving the whole of their surplus balances with the Presidency banks.

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313. (Chairman.) Now, the next objection was "That Indian manufactures would suffer, and Bombay mills would be ruined." Was that an objection that was entertained by the Indian manufacturers themselves, and by the owners of the Bombay mills?—Yes, a good many of the Bombay manufacturers were under that impression at that time.

314. Did they make any protest to the Government based upon that?—A good many of them did.

315. What is your answer to that objection?—I do not find that the mills in Calcutta and Bombay have done so badly in the last few years. I rather think that the Chairman of the Cotton Mills Association of

Bombay is in favour of the mints being closed, and having a gold standard. I find that, despite the closing of the mints, the Calcutta jute mills have increased the number of looms by about 50 per cent. in the last four years. In 1892-93 there were, according to the official returns, 27 jute mills at work, with 8,976 looms and 181,172 spindles, whereas in 1895-96 there were 29 mills, with 10,579 looms and 216,139 spindles, and in 1896-97, 32 mills, with 12,784 looms and 258,154 spindles. I put in a table showing the exports of raw and manufactured jute from India from 1887-88 till 1896-97:—

EXPORTS OF JUTE FROM INDIA.

	Raw Jute.		Manufactures of Jute.					Value of Total Exports of Jute, Raw and Manu- factured.
	Quantity.	Value.	Gunny Bags.		Gunny Cloths.		Other Manufactures of Jute.	
			Number.	Value.	Yards.	Value.	Value.	
	Cwt.	Rx.		Rx.		Rx.	Rx.	Rx.
1887-88 -	9,643,484	6,040,379	74,867,620	1,624,905	13,682,912	115,996	5,459	7,786,739
1888-89 -	10,553,143	7,897,154	99,790,587	2,400,766	15,160,592	159,389	11,323	10,468,632
1889-90 -	10,255,904	8,639,861	97,415,895	2,366,135	37,144,007	394,268	30,839	11,431,103
1890-91 -	11,985,967	7,602,010	98,749,416	2,180,022	29,854,029	282,801	19,189	10,083,972
1891-92 -	8,532,430	6,848,494	106,250,612	2,195,238	37,299,300	313,816	4,046	9,361,594
1892-93 -	10,537,512	7,944,223	123,974,986	2,853,310	40,060,110	378,574	6,110	11,182,217
1893-94 -	8,690,133	8,524,130	131,266,827	2,870,624	60,670,094	563,018	8,144	11,965,916
1894-95 -	12,976,791	10,575,977	143,444,820	3,199,806	103,116,727	985,032	25,996	14,786,811
1895-96 -	12,266,781	9,992,861	168,247,453	3,543,011	114,180,788	1,116,767	87,666	14,740,305
1896-97 -	11,464,356	10,550,577	185,945,531	3,518,780	169,410,010	1,680,857	64,793	15,764,307
1897-98 -	15,023,325	10,129,992	197,619,914	3,716,546	242,814,261	2,140,753	72,698	18,052,983

316. Has there been any increase in the export of cotton goods?—The export of cotton twist and yarn from India has increased materially. In 1891-92, that was before the mints were closed, it was Rx. 5,771,033; in 1897-98 it was Rx. 6,955,482.

317. Have you anything to tell us of your own knowledge with reference to the amount of yarn spun in India, and used in India—woven in India?—No, I cannot speak to that.

318. Will you tell us generally whether the cotton trade in India has been prosperous, or the reverse, since the closing of the mints?—I cannot say whether it has been more prosperous or less.

319. It has not been ruined?—It has not been ruined; it has been increased.

320. No mill you know of has been shut?—I have known no mill to be shut. By the mail yesterday I got a statement which I should like to read to the Committee:—

RESULTS OF COTTON MILLS for the Year 1897.

Name of Mill.	Agents.	Capital.	Debentures.	Loans and Debts.	Reserves.	Block.	Spindles.	Looms.	Profits.	
									Year.	Per 1,000 Spindles.
Bengal	A. Yule & Co.	£200,000	—	£24,000	£7,366	£188,426	64,540 M. 30,000 R.	—	£23,240 1s. 3d.	497
Bowraah	Kettlewell, B., & Co.	Rs. 800,000	Rs. 700,000	Rs. 700,000	—	Rs. 2,372,046	40,000 M. 19,936 R.	—	Rs. 307,363	448
Dunbar	Kilburn & Co.	„ 1,400,000	„ 1,700,000	„ 250,000	Rs. 133,080	„ 2,300,141	59,624 M. 30,000 R.	—	„ 417,451	539
Empress	D. B. Matha & Co.	„ 875,000	—	„ 98,978	„ 50,000	„ 732,235	33,612 M. — R.	—	„ 52,720	157
Goosery	Robinson, M., & Co.	„ 1,500,000	„ 900,000	„ 182,062	„ 55,000	„ 2,236,970	40,074 M. 20,000 R.	—	„ 269,157	531
Garden Reach	M. M. & Co.	£27,000	£20,000	—	—	£75,000	32,384 M.	—	„ 150,748	466
New Ring	Kettlewell, B., & Co.	Rs. 600,000	Rs. 300,000	—	—	Rs. 768,047	20,000 R.	—	New mill	

CANNANPORE MILLS.

		Rs.	Rs.	Rs.	Rs.	Rs.			Rs.	
Cannanpore	J. Harwood	1,200,000	150,000	440,000	—	1,751,937	66,248	200	288,616	313
Muir	S. M. Johnston	1,500,000	400,000	85,150	278,000	1,751,963	47,292	1,220	306,137	327
Victoria	Atherton, West	1,200,000	—	974,000	170,000	1,952,797	61,200	127	274,082	448
Delhi	W. Wilson	700,000	—	333,994	195,000	940,047	22,808	183	169,000	368

321. That evidence confirms you in your opinion that the closing of the mints has not exercised a prejudicial effect upon the cotton industry?—That is my impression.

322. (Sir David Barbour.) When the Indian mints

were closed to silver, and the mints of a great many other countries were closed to silver, the production of silver did not fall off very materially. There was an additional quantity of silver thrown on the market, was there not?—There was.

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323. And countries, such as China, even if they have no mint, but have a sort of silver standard, would have to absorb that silver, of course?—No doubt.

324. And these countries, having to absorb more silver, would have to export something to pay for it?—That is so.

325. So that, though it cannot be said that there is any real stimulus given by what you might call a sort of supernatural effect of exchange, there might be some stimulus to exports due to the necessity of having to pay for more silver?—Yes.

326. China might, or might not, benefit according to circumstances; she might get cheaper silver, if that was a gain?—Exactly.

327. (Mr. Holland.) Do I understand you to deny that the spinner is put at a disadvantage by the rise in the rupee?—I do not think the Indian spinner is disadvantaged by the rupee being at 1s. 4d.

328. You will admit that the labour is less well paid if it is paid in silver at market price than if it is paid in silver at an artificial token price; in other words, the remuneration for labour is less in China and Japan, relatively, than it is in India?—Practically, the wages in India were fixed some 30 or 40 years ago at an exchange of about 2s. The wages have altered very little, and the employé has stood the depreciation from 2s. to 1s. 4d. If depreciation went on from 1s. 4d. to 10d. or 8d., he might stand it, or he might not. If he did stand it, there is no doubt that Indian mills would, to that extent, save in labour; but it is a question to my mind, whether they would get the same price for their output, and I do not know that they would make any more money, or that their profits would be any bigger on the 10d. rupee than on the 1s. 4d. rupee. I think they would not.

329. (Chairman.) You do not think that these profits are attributable to a gain in the lowering of wages?—I think not.

330. (Mr. Holland.) You will admit that, if wages in China have not been altered nominally in the meantime, yet there has been practically a reduction in those wages if silver has decreased in value?—Undoubtedly.

331. And to that extent you will admit that Bombay is at a disadvantage over China?—Undoubtedly. On the other hand the Chinaman, the man who builds his mill in China, has got to give far more dollars for his machinery than he had to give when the dollar was worth 4s.; and therefore he starts with a higher capital.

332. You told us just now that there had been no stoppage of Bombay mills; but I think many of them a year or so ago were shut down because of the plague?—Oh yes, that is so.

333. If I might refer to the tables that have been put in, the tables of cotton twist and yarn, and the exports of raw cotton, the raw cotton shipments you will admit have increased out of all proportion to the shipments of Indian twist and yarn?—The raw cotton shipments have increased much more. I think that practically now very little raw cotton comes to Europe. It nearly all finds its way to the Far East.

334. (Chairman.) Have the exports to Germany gone down?—The exports to the whole of Europe. There has been a better market found in the Far East; but in spite of that, the export of Indian yarn has gone on increasing.

335. (Mr. Holland.) But do you not think that the fact of greatly increased exports of raw cotton is of itself a reasonable source of alarm to the Indian spinner, because it displaces the production of the Indian mills?—I think that Mr. O'Connor, when he comes, will be able to tell you better than I can; but I rather think that the cotton that has gone to India has displaced to a considerable extent American cotton in the Far East; it has cut it out.

336. I think it is reasonable to assume that it will displace a certain proportion of Indian spun yarn, and to that extent it will be a source of alarm to the Indian spinner?—But I take it that this cotton, or a portion of it, had displaced American cotton in the Far East.

337. I think you will find very little Indian cotton has gone to China. Its displacement by American cotton is on the ground that American cotton is of a better grain than the coarser Indian cotton for the kind of goods they want?—It is quite possible that, seeing that India is knocking out China entirely in the growing of tea, the Chinese must do something, and they may be turning their attention to cotton spinning. The tea growers of India and Ceylon are depriving them of their market for tea, and they have to do something.

338. (Mr. Hambro.) I understand you to say that the India cotton-mills have not been hurt as against the China mills, and I understand you think that they would not be hurt as long as the rupee was only at 1s. 4d. I should like to know what reason you have for fixing 1s. 4d., or 1s. 3d., or anything else; why do you say that 1s. 4d. will not affect an Indian mill against a unit of 10d. in China. Do you mean that if the unit of 10d. should fall to 8d., then the 1s. 4d. rupee would hurt India, or do you mean that 1s. 4d. would never hurt India?—I think so. We started with 2s. and did it, and nothing was done to arrest the decline until we came to 1s. 4d. If we get a gold standard on the basis of 1s. 4d., we still have an advantage of 8d. in the way of wages, and I therefore think that 1s. 4d. is a very fair rate on which to base our gold standard.

339. Then you said that the Chinese manufacturers would not benefit to the full extent because they would have to pay for the goods they imported more dollars if silver fell, but in the event of new capital going to China to establish mills, exactly the opposite would result?—But the money has to go to China.

340. Not if the money is sent out from England?—But the revenue has to come out.

341. I quite agree with you about revenue, but as to capital going out?—I am taking the Chinaman who has his capital in dollars, and who has to send home his dollars to buy machinery; so that it cuts both ways.

342. (Chairman.) Is it known whether, as a fact, wages in China have been affected by the fall in the dollar?—I cannot say.

343. Now, as to objection No. 10, just to exhaust the yarn part of it. The objection was, "That Indian yarn would cease to be exported to China altogether," and the rice trade from Burma would be handicapped as compared with that from Cochin China and Siam." What have you to say to that?—I can only say that it does not seem to have been so. We have gone on steadily increasing up to 1895-96 in our exports of rice. 1896-97 was a famine year, and there was, of course, a falling off then, but India consumed a large quantity of Burmese rice. I put in the following table:—

EXPORTS OF COTTON TWIST AND YARN AND RICE.

	Exports of Cotton Twist and Yarn.	Exports of Rice.
	Rx.	Rx.
1882-83 -	1,816,819	8,476,327
1883-84 -	1,926,162	8,802,080
1884-85 -	2,441,101	7,192,197
1885-86 -	2,755,252	9,247,126
1886-87 -	3,386,861	8,886,827
1887-88 -	4,077,387	9,291,687
1888-89 -	5,207,100	7,915,408
1889-90 -	5,748,782	10,110,482
1890-91 -	6,543,364	12,877,740
1891-92 -	5,771,033	13,385,970
1892-93 -	6,773,483	12,408,719
1893-94 -	4,274,122	10,384,739
1894-95 -	5,672,024	13,806,611
1895-96 -	6,780,836	13,537,047
1896-97 -	7,178,128	11,947,122*
1897-98 -	6,352,452	11,705,842*

* Famine years; large quantity of rice shipped from Burma to India.

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344. Then the 11th objection was "That Indian raw cotton would be handicapped by American cotton, and would probably cease to go to China altogether." I understand you to say that American cotton has been the sufferer, and not the Indian raw cotton?—Apparently the Indian cotton has not been handicapped by American cotton.

345. That is, of course, a pure question of statistics?—Quite so, and I think the following figures answer this objection.

EXPORTS OF RAW COTTON TO CHINA (Hong Kong and Treaty Ports) and JAPAN.

	To China.	To Japan.	Total.
	Rx.	Rx.	Rx.
1882-83	951,669	—	951,669
1883-84	745,654	—	745,654
1884-85	585,184	—	585,184
1885-86	534,144	—	534,144
1886-87	321,212	235	321,447
1887-88	512,649	361	513,010
1888-89	869,306	1,072	370,378
1889-90	349,376	186,431	535,807
1890-91	319,783	216,806	536,589
1891-92	266,051	997,082	1,263,133
1892-93	126,880	1,256,755	1,383,635
1893-94	9,713	1,093,886	1,103,599
1894-95	68,113	1,277,769	1,345,882
1895-96	149,692	2,442,435	2,592,127
1896-97	393,842	3,760,332	4,154,174
1897-98	353,861	3,256,206	3,610,067

346. (Lord Balfour of Burleigh.) The question of whether the alteration of exchange would or would not have the effect of handicapping American cotton is not probably the only factor in the cotton trade?—No, of course there are other factors.

347. It would depend at least as largely upon whether there was a good crop in this or that country?—It would.

348. And in making up this table of "Exports of raw cotton to China (Hong Kong and Treaty ports) and Japan," have you taken into account at all what the value of the cotton crop in other cotton-producing countries was in those years?—No. I am not aware that there was anything abnormal in the cotton crop in America in any of those years. I have merely put the figures forward to show that India has gone on importing.

349. All it proves is the fact that this increased quantity of cotton has, from some cause or other, gone to China and Japan?—In spite of the closing of the mints.

350. All that the table tells us is the fact that it has done so?—Yes, and it shows this. Some people were afraid that the closing of the mints would give an advantage to other countries over India; they were afraid that it would choke off the trade in cotton from India and the Far East. These figures show that the trade has not been injured.

(Chairman.) Perhaps Mr. Holland can tell us something about the American cotton crop.

(Mr. Holland.) There never was so good a cotton crop in America as there was in the last year—never so large in amount, and, I should think, rarely ever so large in value.

351. (Chairman.) Now, Sir James, we come to the internal trade of the country. Objection No. 12 was that the closing of the mints "would interfere with the internal trade of the country." Your evidence on this point seems to be a repetition of what we have already had?—Exactly. The railway returns already given and the returns of the coasting trade of India which I now put in answer this objection. (Witness put in the following table.)

COASTING TRADE OF INDIA, exclusive of GOVERNMENT STORES and GOVERNMENT TREASURE.

	Imports.			Exports.			Total Trade.
	Merchandise.	Treasure.	Total.	Merchandise.	Treasure.	Total.	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1882-83	25,419,832	4,066,557	29,486,389	24,524,241	3,316,125	27,840,366	57,326,755
1883-84	28,076,869	3,494,608	31,571,477	26,197,548	3,692,606	29,890,154	61,461,631
1884-85	27,464,753	2,462,400	29,927,153	25,740,389	2,734,018	28,474,402	58,401,555
1885-86	26,810,718	3,092,082	29,902,795	25,150,596	3,044,895	28,195,491	57,598,286
1886-87	26,771,036	2,382,142	29,153,178	25,148,078	1,864,107	27,012,185	56,165,863
1887-88	29,149,044	1,793,055	30,942,099	27,866,031	1,930,504	29,796,535	60,738,634
1888-89	28,611,912	2,004,581	30,616,493	27,712,395	1,837,182	29,549,577	60,166,070
1889-90	28,663,207	1,723,624	30,386,831	27,172,684	1,651,528	28,824,212	59,211,043
1890-91	32,078,267	2,287,993	34,366,260	28,983,542	2,236,590	31,220,132	65,586,392
1891-92	32,003,085	2,867,122	34,870,207	30,298,005	2,727,792	33,025,797	67,896,004
1892-93	31,881,163	1,754,895	33,636,058	30,380,975	2,080,176	32,461,151	66,097,209
1893-94	35,114,085	1,228,447	36,342,532	30,501,095	1,602,580	32,103,675	68,446,207
1894-95	33,572,102	2,063,319	35,635,421	32,568,367	2,113,256	34,681,623	70,317,044
1895-96	37,448,152	1,289,456	38,737,608	34,079,544	1,787,685	35,867,229	74,604,837
1896-97	32,674,885	1,725,788	34,400,673	31,903,657	1,896,640	33,800,297	68,200,970
1897-98	35,401,184	1,992,796	37,393,980	36,264,304	2,214,259	38,478,563	75,872,543

By the merest accident I got some figures last night from India which I should like to read to the Committee. The figures are confined to the coasting trade—

352. Is what you are going to give us exclusive of Government stores and Government treasure?—Yes, but the figures are all taken from Government sources. (Witness read the following table.)

STATISTICS for 1897. No. 260 contains the following statement giving the figures for 1897, and comparing them with the figures given for the previous ten years:—

Years.	Miles run.	Passengers carried.	Animals carried.	Ton Cargo carried.	Years.	Miles run.	Passengers carried.	Animals carried.	Ton Cargo carried.
1887	1,679,632	391,377	28,465	1,022,768	1893	2,228,689	574,511	88,646	1,542,277
1888	1,904,920	426,079	35,653	1,201,909	1894	2,500,399	564,604	86,711	1,773,281
1889	2,126,622	457,106	36,576	1,338,184	1895	2,730,374	618,171	98,499	1,938,385
1890	2,162,440	460,801	35,887	1,407,980	1896	2,743,462	675,325	105,747	1,945,577
1891	2,333,172	582,613	74,166	1,539,896	1897	2,874,963	664,814	96,955	2,377,282
1892	2,375,966	612,075	96,014	1,356,980					

Those figures show that, despite the 1s. 4d. rupee, our business has not suffered.

353. I suppose the famine has materially helped?—The famine has helped and the coal trade has materially helped. The number of native passengers has gone up materially. In 1887 we carried 391,877 passengers, and in 1897 we carried 664,814, so that we have practically doubled.

354. You have increased your freight also?—We have increased our freights. The coasting trade of India has gone on increasing and improving very materially, so that, as far as I can see, there has been no interruption to the internal trade of India.

355. Since the closing of the mints?—Since the closing of the mints, or in consequence of the closing of the mints.

356. (Sir John Muir.) I suppose the 1s. 4d. rate, as against the 1s. 1d. rate, is materially in the interests of your firm, on account of the remittances that you have to send home?—Just in the same way as with regard to everything else. The whole of our wages are paid in rupees. If rupees go down and wages do not go up, it is to our advantage, clearly.

357. Have you any especial advantage on the other side as compared with a tea company, for instance?—I am not aware of it. Our profits come on the other side; it is only the profit margin that comes home.

358. You might have a certain sum to put down for depreciation, but that comes on the other side?—Undoubtedly.

359. Which is of great advantage to you?—But our disbursements are very much in excess of our remittances for profit purposes.

360. Then the money which comes to enable you to go on increasing your fleet, as you have told us?—Depreciation and profit come from India in sterling remittances, but depreciation and profit are a very small item in our revenue as compared with our disbursements.

361. (Sir David Barbour.) The English pound sterling is worth 20s. ?—Yes.

362. The rupee used to be worth 2s. and is now worth 1s. 4d., but the English pound sterling is worth 20s. still?—Yes.

363. And the rupee is now worth only 1s. 4d. ?—Yes.

364. Now, if, notwithstanding the fall of one-third in the value of the rupee, the Indian producer is likely to be ruined because he cannot get a farther fall, what must the condition be in England, where there has been no reduction at all, and the pound is still worth 20s. ?—I quite agree with you.

365. If India is badly off with the rupee at 1s. 4d., England must be worse off with the pound still standing at 20s. ?—Undoubtedly.

366. Then, as regards profits made in India, profits arising from the practical, although not the nominal, reduction of wages, I suppose the man who works in a mill has to be considered as well as the owner of the capital invested in the mill?—He ought to be.

367. And on the general question you would say that India produces and exports produce in order to pay for her railways and her imports, and generally to pay her debts abroad?—Yes.

368. And I imagine that, whatever inconvenience or alteration in the rate of exchange would cause, she will go on doing so?—I hope so.

369. And, if so, she must continue to produce articles of export?—Yes.

370. (Sir C. Crosswaite.) Can you tell me whether the stringency that has been felt in the Presidency towns has also been felt up in the interior?—I imagine it has—probably more so.

371. Do you think that the great disbursements that the Government made on account of the famine may have prevented that being felt, to some extent, in the interior?—I really cannot say.

372. What is the rate of interest in the Presidency towns, as far as you know?—13 per cent.

373. Would that be a high rate up country?—No, it has often been 20 and 30 per cent., or something like that. Somebody told me that it had been 25 per cent. before the mints were closed.

374. I think you said that there was a system of credit in the interior?—No doubt that is so.

375. Can you tell me whether the Government revenue—the land revenue—is ever paid otherwise than in hard cash?—No, I think not.

376. Can you tell me whether the revenue is collected all over India at about the same time, within a week or two, or a month at the outside?—I believe it is within two or three months.

377. Then, what becomes of the rupees when they are collected by the Government?—They find their way into the reserve treasuries.

378. And under the orders of the Government they are sent where they are wanted?—That is so.

379. So that, periodically, a great deal of coin is taken out of circulation in India?—No doubt.

380. Therefore, if there was any difficulty in finding actual coin, would it not press very heavily on the people who had to pay the land revenue in coin? I mean that they might be obliged to take less for their crops than they would if rupees were plentiful?—I should say it is the case everywhere.

381. But you do not know whether that has been the case or not?—I do not know.

382. Do you know whether any inquiry has been directed by the Government to find that out?—I do not know.

383. There is nothing in the Government of India's proposals referring to it?—No, I think not.

384. (Mr. Holland.) You will probably admit that the true measure of disadvantage to the Indian trader by the high rupee in comparison with his competitors in the Far East, is really the measure of difference between the intrinsic value and the token value of silver; it is not a question of whether 1s. 4d. is a disadvantageous rate, but it is a question of the difference between the intrinsic value and the token value of the rupee?—I do not quite follow your question.

385. The table you gave showing the difference between the rates of exchange with India and the intrinsic value of the rupee, shows that the disparity is constantly increasing in these different years?—Yes. It increased up to 1897, and since then the intrinsic value of the rupee has rather gone up, as I have shown, to 27d. an ounce, which brings it back again to 10½d.

386. But admitting that there is any disadvantage, you will admit that that disadvantage is increased in the same ratio as the disparity between the two is increased?—Do you refer to labour?

387. Yes, labour is the principal item, undoubtedly?—The only item, I should say. If wages fixed in silver are not raised owing to the fall in the value of silver, undoubtedly the manufacturers' cost in wages measured in sterling goes down.

388. And may it not be the case that the full effect of the high rupee has not been fully felt yet, seeing that it has only taken place during the last year, and so many forward contracts have been made?—The full effect where?

389. The full effect on Indian trade?—As compared with what trade?

390. As compared with the competitor in the Far East?—You mean with regard to manufacturers?

391. Yes, generally.

(Chairman.) We are not now on the export trade; we are on the internal trade of India; and the question is whether that has suffered by the closing of the mints. We had better not go back again to the other point.

392. (Mr. Holland.) Then I will put this question: Do you not admit that dear money (which some contend is associated with the closing of the mints) interferes with internal trade? For instance, does not a high bank rate interfere with the moving of goods from the interior to the ports?—That I have not forward is that apparently, despite the closing of the

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mints, and despite the dear money that we have had in the last six months the internal trade of India has not suffered as far as we can judge by the statistics.

398. But does not it stand to sense that money having been dearer, there must have been inconvenience?—Until adjustment takes place, undoubtedly there is.

399. How does this adjustment show itself?—The adjustment shows itself by freights going down; or something like that. There is a check for a moment, undoubtedly, until the adjustment takes place.

400. (Mr. Hambro.) I think, in answer to Sir Charles Crosthwaite, you said that during the time the taxes were collected, and then locked up pending orders, stringency might, to some extent, exist for want of money. Is there no arrangement in India at all such as there is in England, to prevent the undue tightness of money when taxes are collected—that the Bank at that period lends money more freely than at any other time?—No, there is nothing of that kind, I think.

401. If there is nothing of that kind, would not commerce be hampered by so much of the circulating medium being locked up?—There might be a certain amount of inconvenience owing to that.

402. And that, in part, might be the cause of the high rate charged for the loan of it?—It may be.

403. And not the insolvency of the tea growers, as you were suggesting?—I take it that when the rent has to be paid, the ryots—the growers—have to realise their crops, or take loans from the Marwaris.

404. During that time the payment of currency might have a prejudicial effect on the grower, because he might have to sell his produce at a lower price to get cash?—Undoubtedly.

405. (Mr. Le Marchant.) With regard to the internal trade, that is materially developed and assisted by railways and by steamship companies, such as your own?—That is so, no doubt.

406. Therefore, a rate of 1s. 4d. gives advantage to any other enterprise carried on by English capital, in remitting their dividends home; that is to say, their dividend earned in rupees produces a proportionately better result. Do you consider that, so far as that is the case, it is an inducement to English capital to go out to India?—Undoubtedly.

407. And to that extent would promote internal trade?—Undoubtedly.

408. (Sir David Barbour.) As regards the question of the payment of revenue all at one time, I imagine the question is limited to the land revenue, because there is a great deal of other revenue—excise and so forth—which is always being collected and paid out again?—I took the question to be confined to land revenue.

409. And, again, the customs revenue is paid day by day into the Treasury. A great deal of the revenue is paid out locally. There are payments for the Army and for public works, and so on. In fact there is always revenue coming in and going out?—Of course.

410. So that it is not a case of all the revenue being taken and locked up for an indefinite time; and the land revenue would be no more than one-fourth of the total receipts?—I should think about one-fourth or one-fifth.

411. (Chairman.) Now we will go to the subject of tea imports?—Before you go to that, I should like to put in this table of the output of coal in India. The figures from 1887 to 1897 are as follows:—

Year.	Quantity.	Year.	Quantity.
	Tons.		Tons.
1887	1,564,063	1893	2,562,001
1888	1,708,903	1894	2,820,652
1889	1,946,172	1895	3,537,820
1890	2,166,521	1896	3,848,013
1891	2,328,577	1897	4,063,127
1892	2,537,696		

407. (Sir J. Mackay.) Is not this quite a new industry in India?—Well, I went there in 1874 and I burned country coal in 1874. The industry has gone on developing.

408. Still it is a new industry in India?—Coal has been raised in India, I should say, from time immemorial.

409. But it is a comparatively new industry, and it is beginning to go on increasing, as it is a paying trade. I mean, is it quite fair to say that the rupee at 1s. 4d. would make any difference to that trade?—I do not say that. I put this forward to show that, despite the closing of the mints, the coal industry, which is a very important one, has not been checked.

410. There is, nevertheless, a huge industry in coal?—Despite the closing of the mints, there is a huge industry in coal.

411. Of course, when things come to be continually cut, it makes all the difference as regards wages?—But I think you cannot cut the wages of the coal miner any further. He gets about 1d. a day now.

412. I agree. But the coal industry is comparatively a new industry in India, and as there is a lot of coal there, it is beginning to go on increasing by leaps and bounds?—I have known the coal industry, from my own knowledge, for the last 24 years. In 1887, which is eight years ago, the output of coal was 1,564,063 tons. The output in 1897 was 4,063,127 tons.

413. Do you expect that will go on increasing?—I hope so.

414. From the natural development of trade?—Yes. I merely put forward the figures to show that, despite the closing of the mints, and despite the 1s. 4d. exchange, the coal industry has not been checked.

415. (Chairman.) Now, what have you to say as to the tea question?—I put in a table of exports of tea from India, and a table of the imports of tea to the United Kingdom from India, Ceylon, and China.

[Witness put in the following tables.]

I.—EXPORTS OF TEA FROM INDIA.

Year.	Quantity.	Value.
	Lbs.	Rx.
1884-85	64,162,055	4,044,759
1885-86	68,784,249	4,306,133
1886-87	78,702,857	4,727,992
1887-88	87,541,505	5,174,440
1888-89	97,011,112	5,267,315
1889-90	103,760,104	5,277,649
1890-91	107,014,993	5,219,233
1891-92	120,149,407	5,968,129
1892-93	114,722,447	6,222,348
1893-94	126,332,475	6,585,835
1894-95	129,099,316	7,555,745
1895-96	137,710,205	7,664,889
1896-97	148,908,461	8,124,548

II.—IMPORTS OF TEA TO UNITED KINGDOM.

Year.	From India.	From Ceylon.	From China.
	Lbs.	Lbs.	Lbs.
1884	63,208,000	2,211,000	143,771,000
1885	64,382,000	4,242,000	139,673,000
1886	73,467,000	7,144,000	145,308,000
1887	84,645,000	13,062,000	113,799,000
1888	89,874,000	22,510,000	105,735,000
1889	95,384,000	32,673,000	88,558,000
1890	101,771,000	42,491,000	73,743,000
1891	109,638,000	61,900,000	62,234,000
1892	111,711,000	66,042,000	57,051,000
1893	115,023,000	72,361,000	56,209,000
1894	115,880,000	76,311,000	43,763,000
1895	123,362,000	83,448,000	40,084,000
1896	127,720,000	94,860,000	35,390,000

416. Those figures do not show that the tea industry has suffered?—Certainly not.

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417. The objection was that the tea industry would suffer?—That was the objection taken by those who opposed the closing of the mints.

418. And your figures show that the import of tea to the United Kingdom has gone up, and is rapidly displacing China altogether. But the question is, whether the closing of the mints will affect, not the import of tea, but the profit on the capital invested in tea, and cause a corresponding loss to the tea grower. I want to put that question very plainly to you, because we have memorials from India and Ceylon to the effect that if a gold standard is adopted, and the price fixed at 1s. 4d., it will be a serious injury to their industry. I should like your views upon that?—I should say that if a 1s. 4d. rupee lowers the profit made by the tea companies, it will naturally check further development in tea, it will check an increase in production of tea, and it will naturally raise the price. Therefore, what they will lose on the one hand they will gain on the other. If competition is checked, and the output is restricted, the price of tea will rise, and naturally the tea companies will be in a position to earn bigger dividends.

419. On that ground you think it would not seriously affect the tea industry?—I think not; and I find from the figures that, despite the closing of the mints, the output of tea has materially increased.

420. To go back to the figures you gave us as to the intrinsic value of the rupee, I see that in 1897 the rupee touched 1s. 4½d.?—Yes.

421. There is a very striking increase in 1895 and 1896, but it only rises to its present price in 1897. Now your figures of the imports of tea stop at 1896?—We have not got them for 1897 yet.

422. Do you think that fixing the price of the rupee at 1s. 4d. will materially affect the case, that is, increase the cost to the tea-grower?—No, I do not.

423. Totally irrespective of what you described yesterday as the balance on the other side?—I do not think it will affect him to any degree that he need be at all afraid of.

424. (Lord Balfour of Burleigh.) Have you any practical knowledge of the tea industry yourself?—My firm has tea gardens.

425. Have you taken any part in the management of them yourself?—Only as a partner in the firm, and as interested in the dividends of the Company. Beyond that I have paid very little attention to tea. I do not put myself forward as an expert in regard to tea.

426. Your knowledge of the subject is gained from statistics?—And also by being personally interested in tea enterprises.

427. What has been your personal experience for the last four years in the tea industry?—My personal experience has been that of a shareholder.

428. And do you find that your dividends are increasing or diminishing?—I do not think they are in any way affected by the 1s. 4d. rupee.

429. That is a matter of conjecture, but I want to know what has been the effect in the last four years upon it as a profitable undertaking?—I do not find that the profit has increased in the last four years.

430. Do you find it has diminished?—I think so.

431. A great deal?—Yes.

432. Almost to vanishing point?—Well, I do not think they have been at anything much above vanishing point from the time I became connected with them.

433. (Sir J. Muir.) The linds have not fallen in pleasant places?—No, they have not.

434. You read to us yesterday an extract from a report of the Doonars Tea Company?—Yes. I simply gave the cutting from the *Financial News*. I know no more about it than that.

435. I hold in my hand the directors' report and statement of account of the Doonars Company, and I find this statement: "The further rise in exchange reduced the profits considerably"—I think that was quoted in the passage I put in yesterday.

436. I had not caught it, but I should like to emphasise that. Now, this is a very important point, and I would like to put to you an extract from another tea company's report. In the report of the Lungleh (Sylhet) Tea Company, the directors state: "The result of the season is disappointing, and is due, firstly, to the high rate of exchange, which has caused a deficit of about 1,500l. as compared with the previous year." Then I have also the last report of the British Indian Tea Company, Limited. There the directors say: "The increase of 2,500l. in the estimate of the expenditure as compared with the figures of 1896-97 is owing to the higher rate of exchange (1s. 4d. per rupee) entered this year."

It will be noticed that this high rate of exchange—which is entirely due to the action of the Indian Government in forcing an artificial value on to the rupee by trying to establish a gold standard in India—brings up the estimated expenditure to within 60d. per lb. of the actual average price obtained for the 1897 crop.

437. (Chairman.) Now, Sir John Muir having read to you those extracts, do they alter the opinion that you have expressed that the tea industry has not practically suffered?—No; they do not alter my opinion in any way.

438. (Sir J. Muir.) There is one other report I have here, the report of the Darjeeling Company. The directors say: "Rates of exchange between London and Calcutta have again ruled higher than during the past few years; 13,500l. issued during 1897, in drafts at six months' sight at Calcutta, produced rupees 216,532, at an average rate of 14'96d. per rupee; while the average rate in 1896 was 14'31, and in 1895, 13d. per rupee. (Exchange account being the difference between the par value of 2s. and 14'96d. per rupee on 13,500l. amounts to 8,153l. 5s. 1d." Did I understand you to say that you thought there was no disadvantage to the tea companies in the 1s. 4d. as against the 1s. 1d. rate?—I should think practically it is no disadvantage to the tea companies.

439. What do you make of this? In Calcutta we have certain marginal bills which we sell, and with the produce of these bills we pay the wages of our coolies and our English and Scotch managers and so on. If the bills sell at 1s. 1d., we get more than if they sell at 1s. 4d.; therefore we get for 10,000l. of marginal bills far more at 1s. 1d. than at 1s. 4d. What do you say to that?—I will put it in this way: If the premises are sound, and 1s. 1d. is better than 1s. 4d., a 6d. rate must be better than 1s. 1d., and a 1d. must be better than 6d., and if you are going down to a 1d., is that going to bring wealth to the tea gardens of India?

440. But you cannot conceive silver falling to 1d., can you?—I do not know. I say that the lower it gets, if the premises are sound, the better it is for the tea industry.

441. We cannot go to the vanishing point?—That is my point.

442. You are a tea planter, to a moderate extent, and you are aware that a number of years is necessary before a tea garden is remunerative?—I should say, probably, three or four years—possibly longer.

443. Now I want to take you to this. You have given statistics here as to tea increasing in volume of production, year by year, in India; but you are not in a position to tell us, at present, what effect the 1s. 4d. rate will have. During a portion of the period there is no remuneration, and we are bound to go on, year by year, until we come up to the 1s. 4d. period, which will not be for three years. Therefore, do you consider that these statistics are quite fair?—These statistics are the statistics of the low rate of exchange. What I mean is, that it is on these figures of 1s. 1d., 1s. 1½d., 1s. 2d., and so on, that the low exchange was showing this increase?—What I have endeavoured to prove is, putting forward these figures, that, despite silver going down to 10d. per rupee, and despite the supposed advantage that China has gained

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through this fall in the value of silver, despite the fact that the exchange value of the rupee has been maintained at from 1s. 1d. to 1s. 4d., the tea industry in India has, apparently, not suffered. I presume that if it were correct to say that the tea gardens were being ruined, a number of them would have gone out of cultivation, and I do not find that that is the case. China has had the advantage during the last four years of a 10d. rupee.

444. Do not you think that the facts I have quoted from these tea companies' reports have some bearing on the point?—I believe that the directors of those companies are fully convinced that it is a bad thing for India to have a 1s. 4d. rupee; I believe they put that forward, honestly believing it, but my impression is that they are mistaken.

445. While we have been going on here, I have had a telegram which I should like to read to you, "Assam Company profits reduced from 43,000 to 31,000, and Brahmapootra from 27,000 to 17,000."

(Chairman.) I do not think we can take this any further. The witness admits all that, but he says that his opinion remains the same. Of course, we shall have opinions on the other side.

(Witness.) It is a pure matter of opinion.

446. (Sir J. Muir.) You acknowledge that I am correct in saying that we cannot judge of the effect of the 1s. 4d. rate on the production of tea, because we cannot tell that till three years afterwards?—That may be so. It will take some time to show whether the 1s. 4d. rupee has checked production.

447. I understand you acknowledge that you would have to wait three or four years, or even five years up in the hills?—Yes, and I would also like to point out this. If the profits of the tea companies should be reduced naturally, the output of tea would be restricted, and the price would be inclined to rise; so that I do not know that, even if there were a little restriction, it would be a bad thing for those who have invested their money in tea, so far.

448. China is still in the field, and if China is still in the field, you are giving a premium to China, and an encouragement to China to go on?—I do not agree in that contention. I think it is an unsound contention. I should rather like to refer the Committee to a very clear statement of the case which was put forward by the Government of India, and which is embodied in the Herschell Committee's report. The case is very clearly put there.

449. (Sir David Barbour.) The closing of the mints has caused a reduced import of silver into India?—It has.

450. As compared with what it was immediately before 1893, the reduction is to the extent of 7,000,000 or 8,000,000 tens of rupees?—Yes.

451. Of course, as that extra quantity of silver has not been imported, India has not had to pay for it, and I presume that means a corresponding reduction in the demand for exports from India? To that extent, do you think it may be said that the Indian exporter suffers?—I would not say that he suffers.

452. There is not the same demand for his produce as a whole, that there was before?—No, but he has not been obliged to produce the stuff; he has saved his raw material.

453. But, so far as the tea producer, or jute producer, is concerned, there has been, in fact, a less demand?—Yes.

454. Now, I am going to put a hypothetical case to you. Suppose the Government of this country imposed on India a tribute of 10,000,000l. a year, and that the Secretary of State, instead of drawing on India for 17,000,000l. had to draw 27,000,000l. That additional 10,000,000l. would have to be paid for by India?—Undoubtedly.

455. The necessity for paying this additional sum would stimulate the demand for Indian produce, tea, jute, and cotton, and I should imagine that the producers of tea, cotton, and jute, having a greatly

increased demand for their products, would make a larger profit?—They might.

456. I think that would be accepted—that if there is a larger demand there would be a larger profit?—Yes.

457. But would the payment of that tribute be on the whole a good thing for India?—Certainly not.

458. India would have to pay the tribute, although there might be some extra profit to the actual producers of articles for export?—It would not be a good thing for India.

459. It would not?—No.

460. (Sir A. Dent.) I think a good deal of the ground that I had proposed to go over with regard to tea has been covered by yourself and Sir John Muir, but I should like to point out, as regards Ceylon, that this tea industry is a matter of vital importance to them. You admit that it is of extreme importance to the tea industry in Ceylon, as to how they will be effected in regard to this matter of exchange?—Exactly.

461. The tea that is now coming into bearing was planted, you admit, in 1893 or 1894, that is the tea they are picking now. Then silver was about 33d., and exchange averaged for those two years about 1s. 1½d. I want to point out to you the serious position that Ceylon is in now, having planted tea at 1s. 1½d., and now having to finance it at 1s. 4d.; that makes a difference to them of something like 15 per cent, in exchange alone?—Yes.

462-3. I am rather astonished that your opinion does not appear to be affected by what you know about Ceylon. You have given us the imports of tea from Ceylon; will you add to the table the exports of tea from Ceylon, as well as the exports of tea from India?—Yes.

464-5. I think you will find that Ceylon exports very largely to Australia and other countries?—Oh yes, and also to India.

(Chairman.) We shall get all this from Mr. O'Connor.

466. (Mr. Holland.) You admit that a great volume of opinion has been quoted from those engaged in the tea trade which is adverse to your contention?—Yes.

467. Do you not think, as a general rule, those engaged in a trade may reasonably claim to be the best judges of their own interests?—I do not know that my answer to that question would be worth anything.

468. (Mr. Le Marchant.) Has there been a considerable area of increase of planting in recent years, as well as an increased output from existing gardens?—There has been a considerable increase in area in recent years. I shall be able to give you the figures, I think.

469. You would infer from the fact that they are increasing the area of cultivation the planters thought they had a reasonable prospect of profit before then?—I should think so.

* The witness subsequently handed in the following figures:—

EXPORTS OF TEA FROM CEYLON.

	Quantity.	Value.
	Lbs.	£
1884	2,393,023	116,561
1885	4,378,754	213,523
1886	7,851,562	382,996
1887	13,824,701	567,967
1888	23,820,724	894,270
1889	34,846,432	1,227,885
1890	45,799,518	1,717,482
1891	67,720,544	2,222,060
1892	72,332,524	2,100,711
1893	82,269,353	2,503,788
1894	85,376,322	2,647,588
1895	98,581,061	2,721,343
1896	110,095,193	2,503,513

470. Even with the mints closed?—Even with the mints closed.

471. (*Sir F. M. Picott.*) Will you explain what you meant when you used the expression just now “recent years”?—Since the closing of the mints.

472. Do you think it possible that the larger output may have had some bearing on price and profit? I have no doubt whatever that the decrease that has taken place in the profits of some gardens has been owing to the fall in the price of tea in this country.

473. (*Sir J. Muir.*) In consequence of that last answer, I should like to ask you this: As to the increase in recent years, and as to those who extended their area of planting (of whom I am one) expecting to make a profit, undoubtedly we did, but we went on the rate of 1s. 1d. and 1s. 1½d., and at these rates we should be all right. What it would be at 1s. 4d. we cannot tell. Then, as Sir David Barbour put a hypothetical case to you, perhaps I may be allowed to put one to you. Would not it be an advantage to India if her exports exceeded her imports?—No, I do not think so. She must get something back for what she gives away.

474. How do you account for the United States being so prosperous, where the exports are enormously in excess of the imports?—Would you say that?

475. Yes; I think I can prove that. Is it not your experience and reading, that if the exports of a country exceeds its imports, it is an advantage to the country?—I do not consider that that is so.

476. My notion is that we should endeavour, by all means in our power, to increase the exports of India?—I agree with you that it may be an advantage to increase the exports of India; but I understood you to say, generally, that it is an advantage to a country to export more than it imports. There I do not agree with you.

477. Now take this specific case. We know that England has given a guarantee of the Greek loan, and in that way Greece is enabled to borrow money at very much less than she could have done otherwise. Would it not be an advantage if England were to guarantee a loan to India?

(*Chairman.*) I think we must keep to the tea industry.

478. Now, can you tell us what was the Bank of Bengal rate from 1891 to 1893?—For 18 months—that is, from June 1891 to January 1893—the Bank of Bengal rate was never above 5 per cent.; while for some time it was down as low as 2 per cent., a rate they had never before been touched in the history of the Bank. Then, with the exception of a short period in the busy months of 1893 and 1894, we had a low bank rate in Calcutta through both these years, while in 1896 the rate returned to about its normal condition, showing that the surplus loanable capital had at last got worked off. In 1897 we had a higher range of rate, and this has continued up to the present time.

479. What is the lowest rate the Bank of Bengal has ever known?—Two per cent.

480. When was that touched?—In 1891.

481. At that time it was a low rate of exchange?—From 1891 to 1893 the rate of exchange was from 1s. 2½d. to something like 1s. 4d. I will get the figures for you.

482. There is no doubt it is a high rate?—It is.

483. Do you attribute that in any way to the closing of the mints and the contraction of the currency?—It has been asserted that the recent high rates of discount in India are directly attributable to the closing of the mints and the contraction of the currency, but I dispute that contention.

484. Will you tell me the reason why you dispute it?—I attribute the present high rate of interest in India, and the high rate of discount in India, almost entirely to the scarcity of loanable capital.

485. Why is there now a shortage of loanable capital in India?—Owing to the want of confidence on the part of English capitalists; owing to their want of confidence in the currency policy of the Government of India.

486. You mean by that the rate of exchange?—The rate of exchange.

487. Is this what you mean; that people now with capital in India remit it to this country in order to take advantage of the high rate of exchange, and that people in this country do not remit capital to India because they fear it would have to come back at a low rate of exchange?—That is my point.

488. And that is in your view one of the great causes of the present crisis—the difficulty arising from the want of a stable rate of exchange?—That is so.

489. Would you hold that opinion totally irrespective of the rate at which the exchange was fixed. Do you regard the difficulty as due, not to a low or high rate, but to the absence of a fixed rate?—A fixed rate—a stable rate is what is wanted.

490. And if there was a stable rate you believe that capital would flow to India—if the capitalists of this country had a reasonable assurance that their capital would come back at a reasonable rate?—Exactly.

491. (*Lord Balfour of Burleigh.*) Yesterday, in the course of the early part of your examination, you said that in 1893 the feeling about the closing of the mints in the Chamber of Commerce of Madras was divided; some were doubtful as to the expediency of it, some were in favour of it, and some were opposed to it?—That was my impression.

492. Have you any means of telling whether there has been any change of opinion, and if so, in what direction, on the part of the Chamber of Commerce at the present time as to whether the policy was a wise one?—The last movement I saw on the part of the Chamber of Commerce of Madras was, urging on the Government of India to take steps to make the gold standard of India effective.

493. That does not quite answer my question. What I wanted to get at was whether, with the knowledge that the Chamber of Commerce of Madras has got, it thinks that the Government of India in 1893 were right or wrong in the steps they then took?—I have seen no expression of opinion on that point.

494. Do you give the same answer with regard to the mercantile community of Bombay?—I understand that all the chambers of commerce, at least the Madras and Calcutta Chambers, are in favour of the Government taking steps to make this scheme effective; the Chamber of Commerce at Bombay, on the other hand, urge that either the Government should take steps to make the scheme effective or that the mints should be re-opened.

495. I quite understand the argument you urged in answer to Sir Henry Fowler, that everybody wants to know where they are, but are you able to say whether the commercial classes—those represented by the chambers of commerce—are or are not satisfied that the step taken in 1893 in closing the mints was, or was not, a wise one?—Well, I have been away from India for some time; I should not like to express an opinion as to that.

496. You know that the United Planters Association of Southern India were opposed to the policy of 1893?—I understand they are still opposed to it; they would still like to see the mint re-opened; but my impression is that the commercial community, as a whole, would not like to see the mints re-opened.

497. Do you say that, as a class, the planters are more interested in Indian trade?—The planters are thoroughly imbued with the impression that it is a bad thing for India to have the mints closed; they want to see the mints opened, and they want to see free coinage. They are honestly afraid of the competition of China, if China remains on a silver basis.

498. Does that apply to the producer irrespective of whether he happens to be a native or European?—I think there are practically no native tea planters.

499. But there are native agriculturists?—No, practically there are no native producers of tea.

500. You are confining yourself to tea; I have passed from tea, and I am asking you whether that

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opinion, be it right or wrong (I am expressing no view about it), was not also held by everyone who was a producer, an agriculturist, a cultivator—whether he was European or native?—Practically, apart from tea, coffee, and indigo, there is nothing cultivated by Europeans in India; the other productions of India, such as jute, cotton, wheat, and cereals of all kinds are entirely in the hands of the natives.

501. And so with sugar?—Yes.

502. Entirely?—Entirely.

503. What is the opinion of the growers of cotton and wheat, say, on the subject?—They have no opinion on the subject, they do not know anything about it.

504. Are there no people among them of sufficient intelligence to watch the effect of these matters?—No, there are none.

505. (Sir F. Mowatt.) You are speaking of the local producer?—Yes; there are no native producers of sufficient intelligence to know anything about the effect of the closing of the mints. I think the members of the Committee who know India will bear me out in that.

506. (Lord Balfour of Burleigh.) Does nobody speak for them, whether they speak for themselves or not?—The only people to speak for them are the Government of India.

507. Have you any reason to doubt that if this policy has been prejudicial to the interests of the indigo and tea planters (I put it hypothetically) the producers of these other articles must also suffer?—I think it has been put forward by the growers of tea that they suffer more than the others, because—

508. I will assume that everybody puts forward his own interest, and that he is the worst used person in the world?—But I wish to explain why; because they have competition from a silver-using country. I think even the tea planters do not say, for instance, that the producers of jute suffer in the same way as they do, because jute grows in India only, and nowhere else, and therefore they do not suffer in competition with silver-using countries.

509. To put it in another way, you are, of course, aware that the agriculturist in this country dislikes a low exchange upon India, because he thinks that wheat is brought home here on too favourable terms?—I think he is under a misapprehension.

510. But that is his opinion?—I daresay that is the opinion of the man in the street: I do not know.

511. But what criticism do you wish to pass upon it?—Well, I should like to say that India made a large export of wheat when exchange was very materially over 1s. 4d.; I think it was something like 1s. 6d., or perhaps a little over.

512. Will you give me the figures for the export of wheat for the same years for which you have given the exports of tea?—Yes, I will do that.*

513. Do you suggest to us that there is no means whatever of getting at a genuine statement of what

* The witness subsequently handed in the following figures:—

EXPORT OF WHEAT FROM INDIA.

Year.	Quantity.	Value.
	Cwt.	Rx.
1884-85	15,830,754	6,309,140
1885-86	21,060,519	8,002,350
1886-87	22,263,330	8,625,864
1887-88	13,538,169	5,562,373
1888-89	17,610,081	7,522,676
1889-90	13,799,224	5,791,377
1890-91	14,320,496	6,042,426
1891-92	30,303,425	14,380,462
1892-93	14,973,453	7,440,383
1893-94	12,156,551	5,198,885
1894-95	6,897,791	2,565,271
1895-96	10,002,912	3,913,896
1896-97	1,910,553	836,385
1897-98	2,393,597	1,341,696

really is the interest of the producers of these articles which you say are produced by natives, except through the Government of India?—I do say that it is practically through the Government and through the Government officials.

514. You would, of course, agree with me that theirs is an interest which ought to be, at any rate, largely considered in any policy?—Undoubtedly, I quite agree.

515. And, therefore, it is undoubtedly a matter of importance in our inquiry to find out, beyond all possibility of reasonable doubt, what their interest really is?—No doubt.

516. Now, in giving us these 13 objections, where were your statements taken from?—They were taken from what I heard, but I think mostly from the objections put forward by the witnesses before the Herschell Committee.

517. Do you put them forward as an exhaustive list of all the objections that were taken?—I think other objections have been taken. I do not put them forward as a complete list.

518. If that is so, why have you not taken an exhaustive list of them?—These are the principal objections that have been put forward to the closing of the mints. I am not aware that there were any others seriously put forward.

519. You put before us a statement relating to the importations of silver immediately previous to the year 1893. Your statement is: "The peculiarity, to my mind, with regard to a large portion of this silver is that it was imported in consequence of speculation." I do not dispute the statement. I think, *a priori*, it is highly probable; but how do you know it? I ask that in order that we may judge as to the definiteness of it?—Well, I was in Calcutta at the time, and I heard a great deal about it. I think there is no doubt about that having been the case.

520. You base it upon your personal experience of what you saw and heard going on when you were in India?—I do. I should like to put in a table showing the gold and silver production of the world for 20 years ending 1896; and it will be observed that, despite the fall in price which has occurred during the last four years, the output of silver has been maintained. (Witness put in the following Table.)

	Gold.	Silver.
	Fine Ounces.	Fine Ounces.
1877	5,512,196	62,679,916
1878	5,761,114	73,385,451
1879	5,262,174	74,383,495
1880	5,148,880	74,795,273
1881	4,983,742	79,030,373
1882	4,934,086	86,472,091
1883	4,614,588	89,175,022
1884	4,921,169	81,567,801
1885	5,245,572	91,609,959
1886	5,135,679	93,297,290
1887	5,116,861	96,123,586
1888	5,330,775	108,827,606
1889	5,973,790	120,213,611
1890	5,749,306	126,095,062
1891	6,320,194	137,170,919
1892	7,094,266	153,151,762
1893	7,618,811	165,472,621
1894	8,764,862	164,610,394
1895	9,641,357	167,288,799
1896	9,817,991	165,100,887

521. Then, a little further on, you say:—"With the exception of a short period in the busy months of 1893 and 1894, we had a low bank rate in Calcutta through both these years, while in 1896 the rate returned to about its normal condition." What do you regard as its normal condition?—Something like 6 or 7 or 8 per cent.

522. Why do you fix that as its normal condition?—That is pretty well what it has always been in Calcutta, 5 to 8 per cent.

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523. I see you have a diagram in your hand; possibly it would be convenient to put that in?—Very well, I will put that in. (*Witness handed in a diagram.*)

524. Then you say, "I put in the figures showing 'the Bank of Bengal rates from 1861 to 1898,' but I do not think we have got those figures?—The diagram gives it.

525. Then you commit yourself to a statement of fact; you say at the present time there is a scarcity of loanable capital. How do you know that?—To begin with, as I have stated before, some of the exchange banks in India have transferred their capital from India to England within the last few years.

526. Is it possible to obtain any statistics which would support the statement, which seems to me a very important one?—I think so; I think I could put in a statement as to one or two banks, at any rate, who have done that; and I know for a fact, too, that several men, having retained capital in India for many years back, have transferred it to this country, taking advantage of the 1s. 4d. or 1s. 8d. or 1s. 8½d. rate of exchange. Having no confidence in the policy of the Government of India, they thought the best thing they could do would be to get their money out of the country and bring it home.

527. And your own knowledge confirms the impression which that information has made on your mind?—It does.

528. You have no doubt in your mind that that has been the process that has been going on?—Undoubtedly.

529. (*Sir David Barbour.*) Of course there is a great deal of tea ground that is now coming into bearing which was planted when exchange was at a very different figure?—Yes.

530. And, in some cases, the ground may have been planted when the rate was 1s. 6d. or 1s. 5d. In those cases it would be no hardship on the planters if the rupee remains at 1s. 4d.?—I should think not.

531. Their expectations, at any rate, have not been disappointed?—No.

532. In answer to the Chairman, you said that the mercantile public in Calcutta were not aware of the policy of the Government of India as regards coinage until the Bill was brought in and passed in one day—on the 26th June 1893?—Yes.

533. But is it not the case that the public were well aware that the question was under consideration?—Oh, yes.

534. They knew perfectly well that the Herschell Committee had been appointed?—Yes.

535. What they did not know was the details of the policy that had been determined upon?—That is what I meant to say.

536. No notice was given to them by the Government until the Bill was brought in and passed in one day?—No.

537. Of course the justification for that was this, was it not, that if it had been known that the mints would be closed on a certain date, the mints would have been deluged with all the silver that could have been brought in?—No doubt.

538. Then you made a remark to the effect that prices rise and fall in India irrespective of the currency. I do not know whether you want to say that absolutely?—No, I do not. I say that, so far as India is concerned, the connexion between the currency and prices, whatever it might be in this country, is impossible to follow.

539. Do you mean that prices rise and fall without any regard to the quantity of currency?—What I mean is, that you cannot trace the effect of it in three or four years.

540. Then you said that the price of opium had fallen, you thought, owing to the fall in exchange in China?—It may to some extent be attributed to that.

541. It may arise from that; I daresay it does to some extent; but I do not know whether you are

aware that for many years the Indian opium trade has been a threatened trade on account of Chinese competition?—I am aware that it has been a dying trade for many years.

542. Might that account for some proportion of the fall?—No doubt.

543. Now there is the evil that is said to arise from the fact that the natives cannot get the old rupee value of the silver which they have hoarded?—Yes.

544. I think that possible evil was foreseen before the mints were closed; it has not come as a surprise on the Government of India?—It was considered at the time; it was considered by Lord Herschell's Committee.

545. You were present in Council when the Bill was passed?—I was.

546. It is quite sufficient to know that it was considered at the time?—Yes.

547. So far as the natives have hoarded gold no difficulty arises?—No.

548. So far as they have hoarded coined rupees no difficulty arises?—No, they will gain by any appreciation that takes place.

549. They would not see the gain on the coined rupees, but there it is?—Exactly.

550. They might not see it?—They might not see it.

551. I do not know whether it is your opinion that the bulk of the hoarding is in the form of ornaments, and not in bar silver?—That is so.

552. Of course, no man sells his ornaments unless he is in want?—No.

553. And if he gets a lower price for his ornaments now, that is inevitable if you are to have a gold standard, and so far it is an evil; you cannot help that?—Quite so.

554. It is an undoubted evil; the only question is what is the magnitude of the evil?—Undoubtedly.

555. Then you say that the Government of India proposed that, "if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States could not be made, the Indian mints should be closed to the free coinage of silver, with the view to the introduction of a gold standard." I think that no attempt was made to bring about a direct agreement between India and the United States?—I believe not.

556. I have never heard of any; have you?—No, I have never heard of it.

557. Now the exchange was very low before the mints were closed; it had fallen considerably?—Yes.

558. But there was a great future danger, and that was the closing of the United States mints to silver, or rather the cessation of the purchases of silver by the United States?—The repeal of the Sherman Act; that was the great danger.

559. And, of course, there was the further fear that if the United States ceased to purchase silver, other nations would try to exclude silver too?—Undoubtedly.

560. In other words, that one exclusion would lead to another?—Yes.

561. Then is it the case that in 1893, when the present policy was adopted, there was a very serious position before the Government of India?—There was.

562. You say the Herschell Committee "proposed 'one modification in the Government of India proposals, viz., that, instead of the Government taking power to declare the sovereign to be a legal tender at a fixed rate not exceeding 1s. 6d., the result of 'closing the mints should be awaited, and that they 'should be guided by the experience thus obtained 'in deciding on future action.' Now, to the best of my belief, I do not know whether it is yours, the Government of India proposed to close the mints and so await the result before taking any further action; and if you look at the Report of the Herschell Committee you will find a quotation which shows that to be the

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case. The point I want to bring out is that it never was the intention of the Government of India to close the mints to silver and to fix the rate at once. If you look at the Report of the Herschell Committee, on page 16, you will see a quotation there of what I said in reference to this matter?—I rather took this from your own speech.

563. That was after the Report of the Herschell Committee?—The proposal was: "That instead of the Government taking power to declare the sovereign to be a legal tender at a fixed rate not exceeding 1s. 6d., the result of closing the mints should be awaited."

564. I only want to bring out the facts, because on your evidence it might appear that the proposal to await the results of the closing of the mints, originated with the Herschell Committee, whereas it was part of the original proposal of the Government of India?—That I quite admit.

565. The proposal of the Government of India was to await the result, and that was made before the Herschell Committee sat. That, I think, is admitted now?—That is correct.

566. Then I think I am right in saying that the modification made by Lord Herschell's Committee was this: That the ultimate rate was not to be limited to 1s. 6d.; it might be 1s., or 1s. 8d., or anything, but a temporary provision was put in to the effect that rupees would be issued at 1s. 4d., the object of that being not to fix a permanent rate, but to prevent any sudden and large rise in exchange?—That is so.

567. Many people believe that the Government of India is committed to a rate of 1s. 4d. In reality the Government of India have it still open to them to declare any rate they like?—That is so.

568. I believe the public took up the idea that 1s. 4d. was to be the rate for all time, but in fact it was merely a temporary rate?—It might be raised, of course.

569. But, so far as there has been any pronouncement by the Government of India, or by the Secretary of State, the rate is still a perfectly open question?—It is. The rate, I take it, above 1s. 4d. is an open question.

570. Above or below?—Just so.

571. You said that the high rate of discount was due to the scarcity of loanable capital in India, in your opinion?—I believe so.

572. There are other people who believe it is due to the scarcity of currency?—There are.

573. And I daresay you are aware that the distinction between currency and capital is a distinction that it is difficult to draw in all cases?—It is.

574. You say that capital has been sent home from India by the banks and others?—Yes.

575. And the reason of that was that some persons feared that there might be a further fall in exchange?—Precisely.

576. If the public had confidence that there would be no further fall in exchange, but that the exchange would be fixed, then you would say that capital would remain in India, and that capital would go to India?—That is so, both banking capital and private capital. You can lend money out in India now at 8 to 10 per cent.

577. As you have already said, it does not matter, in this connexion, what the rate is, so long as it is fixed?—Precisely.

578. But you say that people will not send their money to India unless they have confidence?—No, certainly not.

579. You might put forward a thoroughly good scheme, and yet it is quite certain that unless people had confidence they would not send out money to India?—Precisely.

580. And even they would probably wait for a few years to see whether the scheme was successful or not?—Yes, I think so.

581. You think capitalists would probably do so?—Yes, a capitalist is proverbially timid.

582. They would wait to see how things turned out?—Yes.

583. Now, is the high rate of discount in India a very serious evil?—I think there is no doubt that the high rate of discount is a considerable evil, especially when it is rising.

584. It is a greater evil, I have always understood, when people do not foresee that a high rate is coming?—That is so. When it is expected it is arranged for, but when it is rising it takes some time to make the necessary adjustment.

585. If you know of it you can arrange for it; if you do not know you may be taken by surprise?—That is so.

586. If there is a very high rate of discount or interest for loanable capital in India, people will be prepared to take a certain amount of risk as regards the loss by exchange, in consideration of the higher rate of profit?—No doubt.

587. I believe it is the case that a great deal of loanable capital was sent out of India on account of the loss by exchange?—There is no doubt of that.

588. If it were known, or believed, that in the course of three months the Indian mints would be open to the coinage of silver there would be a strong desire to get money out of India?—You would see very large remittances home.

589. If people knew of it before?—Yes.

590. Now you are aware that in addition to paying for her imports, India has certain other payments to make in this country; there is interest on capital invested there, profits on tea gardens, jute mills, and so on. There are also the drawings of the Secretary of State. I do not say that India does not get full value for them. Mr. Hardie said, in his evidence before Lord Herschell's Committee, that the total payments amount to 22 millions sterling a year. That, of course, includes the Secretary of State's drawings and all profits?—I should say that is underestimated.

591. Those 22 millions sterling at 1s. 4d. the rupee would be 33 crores of rupees. The borrowing by the Government in this country and by railway companies up to the end of last year came to something over 27 millions sterling (that is since Mr. Hardie made his estimate), and by the end of the present year it will be 33 millions sterling. The interest on that would be probably three-quarters of a million more. Therefore if you take 33 crores of rupees as the amount which has to be remitted from India every year on account of these special payments, that is not an excessive estimate?—I think not. That is, of course, provided there is no money going out on capital account.

592. That is a special case, and the one thing might be adjusted against the other; but the payment that she has to make is 33 crores?—Yes.

593. The only way India can pay, is by excess of exports over imports. Has there been a surplus of exports over imports of this amount in recent years?—No, there has not.

594. The figures you gave us do not show a surplus of 33 crores. I think, in the year 1897-8, you have put the surplus at 28 crores?—28 crores.

595. And you have to take from that 10 millions on account of gold and silver, which are excluded from your figures?—Less than that, I think.

596. The imports of gold are given here for 1897-8 at Rs. 7,281,000 and the exports at Rs. 2,372,000, or an excess of nearly 5 millions, and in silver the excess is over 8 millions. You have got to deduct 13 millions therefore, from 28 millions. Therefore all that India exported in order to meet that debt of 33 millions in 1897-8 was 15 millions?—That is so.

597. That means that there was a deficiency, of course it was due to special causes, but there was a deficiency—of 18 millions?—Yes, 18 million, less of rupees.

598. What would that be per week; that would be nearly 35 lakhs per week?—Yes, about that.

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599. Do you think that if in the year 1897-8 the Secretary of State had drawn 35 lakhs a week more than he actually did draw, he would have got the exchange he did get?—No, I do not think so, there might have been some loss.

600. The exchange might have been to some extent lower?—Yes.

601. Therefore the exchange of 1897-8 is to some extent an artificial rate?—Perhaps so.

602. You will admit that the question of what the normal rate of exchange would now be under ordinary circumstances is of great importance?—Yes.

603. If it were the case that the normal exchange is now 1s. 4d., the Government of India would have got over the preliminary stage at any rate?—Yes.

604. On the other hand, if the rate is likely to fall seriously, there would be difficulties to meet?—No doubt.

605. I would like to try to enumerate the special causes that affect exchange at the present time and that have affected it since the mints were closed. The first is that the imports of silver into India have been reduced?—Yes.

606. That affects the balance of transactions with India. Now, last year the imports of silver into India were very high, but they had before that been reduced by about Rs. 6,000,000?—Yes.

607. And that reduction must have a great effect, but that effect has had time to come into full operation. The reduction has now been in operation for some three or four years?—Yes.

608. We cannot expect any further rise in exchange from that cause. There might be a further reduction, but I think it is improbable. Therefore we cannot look for any rise from that cause. Do you agree with me there?—I think so. It will probably be less marked in the next few years at any rate.

609. Then there has been another influence at work; that is to say, there has been very little addition to the Indian currency since the mints were closed?—Yes.

610. There have been about two crores of rupees coined from silver taken over from the banks, and there is an addition of two crores from the currency reserve; but with that exception, I think there has been no addition to the Indian currency since the mints were closed?—That is all.

611. It is a matter of inference, and most people would draw the inference, that that limitation of increase would have had some effect in raising the general value of the rupee in India?—No doubt.

612. I believe that there are men who hold that the quantity of money has nothing to do with prices, but the majority of men hold that it has, and, if it has something to do with them, that restriction must have had some influence in the direction of lowering prices in India. Now in this despatch of the Government of India I think that is the only influence that they refer to?—I propose to defer my evidence as to that point till later on.

613. You are aware that there has been considerable borrowing by India in England in recent years, and that also has affected exchange?—Yes.

614. Borrowing in England has very much the same effect as a reduction of the drawings of the Secretary of State?—Yes.

615. Because it creates a special demand for an equivalent amount of his bills?—Yes.

616. And that of course favourably affects exchange more or less?—No doubt.

617. Then there is another influence, which I suppose is over now, but which had some effect in putting down exchange, and that is, the remittance of capital from India to this country?—Undoubtedly.

618. We cannot say what amount was remitted; but there has been since the mints were closed an adverse influence to a rise in exchange?—Yes.

619. The effect of the famine would be to reduce exports, and probably imports too, but, on the whole, I imagine it would reduce exports more than imports?—I should say so.

620. And if so, it would be in the direction of bringing down exchange?—Of lowering exchange, yes.

621. The last harvest in India has been an unusually good one?—It has.

622. And that would increase the exports, naturally?—Yes.

623. That would be a favourable influence?—Yes.

624. That is rather a special stimulus?—Yes, and the higher the prices—

625. I am coming to that. I suppose you would admit that the war between Spain and America has been beneficial also?—It has caused the price of wheat to rise, and no doubt has helped the exchange.

626. That has affected the exchange in India?—No doubt.

627. There is one question which I do not know whether you would like to answer now. You know the exchange fell some time after the closing of the mints, and it has risen since; and we know certain causes that have affected exchange—some in the direction of raising it and some in the direction of lowering it. There is one cause that the Government of India lay stress upon, and that is the rise in the value of the rupee owing to the restriction of the currency?—Yes.

628. Do you think it is fair to rely on that alone and leave out all other possible causes?—No, I certainly think that other influences have combined; but there have been adverse influences which may have counteracted the favourable influences.

629. But what I mean is that there are a number of influences acting on the exchange at the present time, some favourable and some unfavourable, and it is not quite safe, is it, to rely on the contraction, which is, after all, a doubtful contraction, in the currency of India?—Possibly so.

630. And furthermore, if you rely on that contraction of the currency—if it has increased the value of the rupee—it has only done so by lowering prices in India?—Unless it so happens that prices on this side are also higher; but even then they must have been lower than they otherwise would have been.

631. And I think you said yourself that you cannot trace in the prices of India that fall that would, or might, have been produced by contraction?—No, I do not think you can.

632. There are a number of real causes acting on exchange, and there is this which may be a real and very important cause, but it is a matter of inference, and we cannot trace its effect on prices, and, therefore, do you think it would be safe to rely altogether on it?—I think to rely on it as the one factor would be altogether unsafe.

633. It is not safe to say that is the only factor?—No.

634. We cannot trace its effect on prices, and we know there are other causes; we cannot, therefore, put aside all other causes and say this is the only cause?—Do not the Indian Government also point to something in the paper currency? I am not quite sure.

635. I think what you refer to had reference to the question of loanable capital. When there was a large quantity of loanable capital in Calcutta, the banks which held rupees sent the rupees to the currency department and kept notes?—Of course there may have been a considerable contraction of the currency which is not apparent in prices, and a considerable amount of hoarding may be still going on.

636. But if there is a contraction of the currency affecting the value of the rupee, it can only show itself in prices? That is the important question?—It may have been there in prices, although it is not apparent.

637. I do not say it is not there; I merely say that you are not able to put your finger on the prices and say there it is?—No, and probably you will never be able to.

638. You may assume or infer a contraction in currency, but you cannot prove it, and you may

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assume or infer that there has been a fall in prices, but you cannot prove it?—That is so.

639. Now, let us look at the matter a little further. Exchange was 1s. 1d.; it is now 1s. 4d.; that is a difference of 3d. Now, you may take it from me that the fall in general prices corresponding to that, if there was such a fall, would be 18 per cent., which is very considerable?—Yes.

640. It would mean that the burden of debt in India—the burden of debt at 1s. 4d. as compared with 1s. 1d.—would be increased some 20 per cent.?—Yes.

641. You have not seen any evidence that there is such a great increase in the burden of debt in India as that?—No.

642. Probably there may not have been a general fall of prices to that extent. But that is what it would mean—a fall of 18 per cent. in price means an increase in the burden of debt of about 20 per cent.?—No doubt.

643. If the mere stoppage of the coinage of silver, and the ceasing to pass rupees into currency, has raised exchange from 1s. 1d. to 1s. 4d. in three years, that is at the rate of 1d. a year, and the rise of another ½d. would make the gold standard effective?—Yes.

644. You have only to wait for a year if things go on as they are supposed to have been going?—That is so.

645. And if that is the case, it would not seem to be necessary to take any violent measures?—No doubt.

646. If in three years a contraction of the currency causes a rise of 3d., and if a further rise of ½d. would bring in any quantity of gold, no very drastic measures seem necessary?—No.

647. I do not know whether you would care to answer this question or not—whether these proposals of the Government of India are approved by the Secretary of State in Council?—I am not authorised to answer that.

648. I daresay you will recollect that when the mints were closed the banks were importing a large quantity of silver, and that for several reasons the Government agreed to take that over, and save them a certain amount of loss?—Yes.

649. The Government of India proposed to sell that silver, and the Secretary of State refused, and the silver had to be passed into the currency?—Yes.

650. The correspondence is all here. I do not know whether you recollect the reason he gave?—I think he said it would give another blow to silver.

(Chairman.) We can get that best from Mr. Finlay.

651. (Sir David Barbour.) I believe that since the mints were closed two millions were added to the currency out of the paper currency reserve?—That is so.

652. And the proposal now is to reduce the currency by six millions?—That is so.

653-4. If those four millions had not been added to the currency it would have been sufficient to reduce the currency now by two millions?—Yes.

655. So that, in fact, the Government of India has increased the currency since the closing of the mints, and is now proposing to reduce it?—To reduce it if necessary.

656. As far as may be necessary?—As far as may be necessary only.

657. I believe, when the mints were closed, an attempt was made to keep up exchange by stopping Council bills?—Yes. There was great pressure put on the Secretary of State and the Government of India, and that was tried and it failed.

658. It led to considerable borrowing?—It did.

659. To meet the requirements for the time being of the Secretary of State?—Yes.

660. I do not think that money was ever repaid?—I do not think we have reduced the sterling debt since then.

661. In the establishment of a gold standard the increase of the sterling debt is a serious matter, and I

think it would be fair to say that borrowing that begins as being temporary may and generally does in the case of India end by being permanent?—I am afraid that has been the case mostly.

662. And, of course, if we had another famine or a great war, we should have to borrow still more?—Possibly—I think so.

663. There is a risk of it, at any rate?—Yes.

664. That is to say, borrowing or not borrowing in sterling is not always at your option; there may arise circumstances which force you to borrow?—No doubt.

665. Do you not think that the increase of those gold liabilities is an obstacle in the way of the establishment of a gold standard?—I think there is a great deal in that.

666. The more the Secretary of State must draw the greater the tendency in the exchange to fall?—That is so.

667. I do not say that the increase of debt may not have been worth more than it has cost; I am merely talking of the establishment of a gold standard?—Quite so.

668. Then there is the question of establishing a gold reserve. The Government of India propose to borrow for the purpose. Of course that may be the only way of doing it, but it increases the gold liabilities, does it not?—Yes, and you have to consider that if you succeed in establishing a gold standard you have less to pay as far as rupees go.

669. Do you think the Government of India is in a much better position now financially than it was a few years ago?—Yes.

670. Do you think it would be possible for the Secretary of State to establish a gold reserve, in this way, namely, by drawing half a million a year; that is to say, getting his reserve out of revenue instead of by borrowing?—No doubt that would be possible, but it would take longer to bring about. It might be sounder, but it would lengthen out this period of want of confidence.

671. But I think you have admitted that no scheme possible now is likely to produce immediate confidence?—That is so.

672. I admit that there is the objection that what I suggest would prolong the uncertainty?—Yes.

673. But it would be a safer and sounder view?—It might be sounder, I do not say it would be.

674. It has the advantage that you have not got to pay interest?—It has also the disadvantage that during the period of transition it requires more rupees to pay your sterling obligations, that is, if you succeed, and succeed speedily, and get over your difficulties speedily, you have the advantage of having the 1s. 4d. rupee.

675. You have; but, looking at that from the point of view of the despatch of the Government of India, they say that the 1s. 4d. is going to be permanent, and that there is no danger of a fall?—Except that they still fear the want of confidence.

676. But that want of confidence I do not think would bring down the value of the rupee; it might raise the rate of discount?—The want of confidence will no doubt raise the rate of discount, and to some extent also it will reduce the rate of exchange.

677. No one can doubt that if it were possible to establish a gold standard immediately, that would be the course?—That is what I maintain.

678. But there may be some doubt as to whether that scheme would succeed or not?—Yes, and that is a very serious question.

679. If you bought your reserve out of revenue you might prolong the agony, no doubt, but you might escape a serious failure?—No doubt.

680. And, at any rate, you would not have to bear the charge for interest?—Yes, that is true.

681. Of course the proposal to melt down Rx. 10,000,000 is a very big proposal?—That is so, but I think it is only "if necessary."

682. How would you determine whether it is necessary or not?—I think on the same assumption

as you yourself rather went on before; that is to say, if gold does not come to the mints, it is a sign that rupees are redundant.

683. The difficulty I feel is this. A reduction in currency would probably affect exchange, but we have very little experience of the effect of suddenly and largely reducing the currency. It might take a considerable time before prices and exchange were affected. You might reduce by 10 millions in one year and not get the effect of that for two or three years. You might effect a gradual reduction of prices, but such a reduction all over India would probably take a considerable time. Therefore it is impossible for anybody to say that you would get the effect of the reduction in a single year. Under those circumstances how could you say that the reduction of 10 millions would be sufficient or not? You would have to wait and see what happened. I am putting forward these difficulties because they ought, of course, to be considered?—I daresay you might have to wait.

684. I asked you whether you thought it would be possible for the Secretary of State to draw a certain amount every year in excess of his ordinary requirements, and you objected that that would prolong the uncertainty. Now I should like to ask you whether that reduction of currency could not have been carried out, or could not even now be carried out, gradually. I may tell you I always contemplated that it might be necessary to reduce the Indian currency; but the idea in my mind at that time was to do it gradually; to do it at the rate of a crore a year and let there be time for the effect of it to manifest itself throughout the country. But, I suppose, if a proposal of that kind were made now, you would raise the same objection?—Yes.

685. If it had been adopted in 1893 we might have had the whole effect of the reduction by this time?—No doubt.

686. (*Sir J. Muir.*) Do you not think that in India, owing to the increased population and the extension of trade, the country requires more currency?—But more is obtainable under the present rules. As much as is required is obtainable in return for gold.

687. That is a matter of opinion; but I think it is generally recognised that extended trade does require more currency in any country. Is that your opinion?—There is no difficulty about obtaining currency if they choose to pay for it. The Government, of course, will not give away currency for nothing.

688. The effect of the closing of the mints has been to reduce currency. If we had been allowed to send silver, and to get that silver coined, there would have been an increasing currency in the country to meet the legitimate operations of the extension of trade?—That silver had to be bought, and all that is now required is that, instead of giving the gold for the silver, you should give the gold to the Government of India.

689. I think it is generally recognised that increasing population and increasing trade requires an increase of currency?—Undoubtedly, to carry on the trade of the country.

690. Then do I understand you rightly to say that the majority of the chambers of commerce in Madras disapprove of the closing of the mints?—I think I said that the chambers in Madras, so far as I knew—it is a long time ago, and I have not refreshed my memory—were divided on the subject.

691. But they opposed it, did they not?—Possibly.

692. Suppose the question were now put before the Chamber of Commerce of Bombay; whether they approved or disapproved, have you formed any estimate as to what the result would be?—I have not.

693. Or the Chamber of Commerce of Calcutta?—As to Calcutta, I understand they do not want the mints re-opened; and I understand that that is the view in Bombay and Madras. I think practically all the chambers of commerce in India want to see the

gold standard made effective. They do not want to have the mints re-opened.

694. I should like to test that by a vote?—That is my impression.

(*Chairman.*) On page 26 of the "Correspondence" respecting the proposals on currency made by the "Government of India" there is this passage in the letter of the Secretary of the Chamber of Commerce at Bombay to the Government at Bombay, dated March 2nd, 1898:—"My committee accordingly think that the best chance of arriving at a solution of the immensely difficult problem lies in appointment of a committee of experienced financiers similar to that which sat in 1893, and this measure thereore they respectfully but strenuously advocate." That is what has happened. We are the committee appointed on that basis.

695. (*Sir J. Muir.*) We all know the great poverty of the natives of India and we all know that in London, Glasgow, and elsewhere, large sums were subscribed for them during the famine period. In that pinch, do you suppose that the natives tried to get something, in whatever way they could, upon their ornaments?—I have no doubt they did, but I question very much whether many of the natives who were brought to the pinch of starvation had many silver ornaments.

696. But you know that in the mofussil, and generally over the country, if a woman can get an ornament, she likes to have it, and when the pinch comes, she rather parts with that than starve herself or see her children starve?—No doubt.

697. I think that pinch impressed the natives more than some of our friends are inclined to allow. Do you agree with me?—I have seen no indication of it at all.

698. (*Mr. Hambro.*) You stated that you did not see any advantage in exports exceeding imports out if exports exceeded imports sufficiently not only to pay the debt of India, but also to bring in, say, 5 million sovereigns, you would see some advantage in the increased trade of India?—I do not know what advantage the people would have from the 5 million sovereigns.

699. When the time came for payment of their debts it would give them increased currency in the country?—I do not know that that would be much advantage to them. It would enable them to buy other commodities, but if they imported 5 million sovereigns I suppose they would use them at some time to buy imports which they wanted.

700. Then you think the currency is so redundant that it does not want any increase?—The currency, I take it, is redundant, till we get to the 1s. 4d. basis.

701. Then you agree with the view that redundancy is the difficulty of the maintenance of the rupee at 1s. 4d.?—I think so.

702. Would it not be that the balance of trade being less, the rate of exchange would fall below 1s. 4d., and yet the internal circulation might be inadequate for the wants of so vast a population?—All I can say is that I have seen no evidence of there being any shortage of currency. I have never seen any difficulty in obtaining currency when it was required.

703. But it would enable the grower, the poor man, to borrow money at a lower rate of interest, while his crops were growing?—If the loanable capital was increased.

704. If there is more currency, say more sovereigns in the country, if India is on the basis of a sovereign currency, if more sovereigns come into the country, surely there must be loanable capital?—On that point I am not disposed to think that the number of sovereigns in the country is an index of the amount of loanable capital.

705. Then do you think that the sovereign would be of any use in the hands of the people for currency purposes?—No, I do not think a gold currency is at all suitable to India; the transactions are so small.

Sir J. L.
Mackay,
K.C.I.E.

26 May 1898

Sir J. L.
Mackay,
K.C.I.E.

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706. We have before us the minutes of the Herschell Commission, and we know the opinion you expressed then as to the hoardage of silver by the natives. Do you hold that opinion still, or are you more of the opinion that Sir David Barbour expressed the other day in the exactly opposite sense?—I have no doubt that, if we adopted a gold coinage in India, we might get gold out of hoard. If we took to coining gold in India, and made gold coins of a certain number of rupees legal tender, we might get gold out of hoard; and, in that case, I presume, we should restrict the rupee to a certain amount of legal tender.

707. But if there was more coin, whether it be gold or silver, the rate charged to the borrower would be less. What I want to get at is, whether these exorbitant rates charged to the borrower must not, to a certain extent, impede the small man, and whether that does not arise from the want of currency in the country?—My impression is that it does not arise from the want of currency in the country altogether; it may to a certain extent, but my belief is, that it is owing to an absence of loanable capital in the country.

708. But the preconceived idea about currency being redundant I always thought was, that people could always obtain coinage on a good rate of interest, and that the articles manufactured in the country itself would have a tendency to increase in value?—I do not know that that applies to India. It is not so far advanced as this country is.

709. But if there is more coin in everybody's pockets, and in the banks, surely the price which is charged for the borrowing of it on good security must go down?—I do not know how the coin is to get there.

710. I did not ask you that; I said if there were more coin in the country?—If a man has a thousand pounds, which he is able to lend this week, and only 100% a month hence, he will doubtless be disposed to take a lower rate of interest this week than he will a month hence.

711. I asked you whether there was not more coin in the country. I was trying to keep distinct capital and coin. I was speaking of currency?—I should say that it is purely a matter of loanable capital, and that the connexion between loanable capital and currency or coinage is a very difficult one to decide.

712. At all events, you are prepared to say that you think that there is a sufficiency of currency in India?—There is a sufficiency of coinage in India for any man wanting to do an ordinary business, for any man requiring it to pay his way.

713. (Mr. Holland.) You admit that it is a matter of vital importance that public confidence should be established?—Yes, very important.

714. And I gather it is clearly your opinion that that confidence would be better obtained by having a gold standard rather than by remaining as now, or than by resorting to silver?—I should say that, if we can get the gold standard established within the next year, or two years, confidence will grow—will mature—sooner than it will otherwise.

715. I gather that in the year 1893, in your opinion it was then desirable to aim at a gold standard?—That was the object of closing the mints.

716. And does it appear to you that it is just as desirable now, in 1898, to aim at that standard as it was in 1893?—Even more so. I think that such measures should be taken by the Government of India as may be, after careful inquiry, considered prudent to make the gold standard effective.

717. And does it appear now, in the light of subsequent experience—apart from desirability—to be practicable to establish the gold standard, as you thought it was in 1893?—I think so.

718. Do you think that a gold standard is as suited to a poor debtor country as it is to a rich creditor country?—I think it is, with what is proposed in India, to have full legal tender rupees.

719. You tell us there has been a large transfer of capital from India. Am I right in supposing that in

your opinion that transfer has been made because it was doubted whether or not the Government would go for a gold standard?—Yes.

720. Have you heard of people with large capital hesitating to send out their capital to India because they thought the Government was involved in an impossible task?—Yes, I think so.

721. Do you hold that the interests of India have not suffered from the closing of the mints?—I maintain that the interests of India have not suffered by the closing of the mints.

722. You said just now that, in your opinion, "such measures should be taken by the Government of India as may be, after careful inquiry, considered prudent to make the gold standard effective." I do not know whether the proposals of the Indian Government would be, in your opinion, in that category?—Well, I should like to reserve my opinion on them.

723. In the Report of Lord Herschell's Committee, an interval was suggested between the closing of the mints and the establishment of a gold standard. In your opinion has that interval been sufficiently long to justify our now going forward?—I think that that is a question which you would better get from me when I am asked my opinions on the proposals of the Government of India.

724. (Mr. Campbell.) First of all, with regard to what you call the speculative shipments of silver which you say went on in 1893. Is it possible that there may be another explanation than what you call speculative shipments. There were two influences strongly at work at that time. There was, first, on the one hand, the influence that the Sherman Act would be repealed, and also the possibility that the Indian mints might be closed. Both these influences tended to make holders of silver very anxious to get rid of it. Those who had silver wanted to get rid of it before there came the fall, which they thought to be inevitable. That was one influence. Then, on the other hand, there was this: that the Indian merchants were apprehensive that the closing of the mints might lead to a very great rise in exchange; that exchange would go up to 1s. 4d., so that their anxiety was to fix their exchange and sell their bills to the utmost possible extent before the rise came. An operator in exchange at that time was able, on the one hand, to buy silver very freely, and on the other hand to purchase bills, and so close his transaction at a profit. Now you would call that perfectly legitimate, would you not?—Perfectly legitimate.

725. I think that is the explanation of what is called these speculative shipments of silver?—The only point that I should like to make upon that is this. You say merchants were anxious to sell exchange. I think a good many of them did a good deal more than sell exchange. I do not accuse the banks of doing it—not for one moment—I do not accuse the banks of having speculated to the extent of a thousand pounds.

726. I wanted to get that quite clearly?—Just so, I may not have made myself clear on the point. The speculation I referred to was on the part of merchants and others.

727. Now, with regard to the monetary question, you say that the stringency is mainly due to the want of loanable capital?—Yes.

728. With regard to that point there has been no fresh addition to the circulation since the closing of the mints. The Government in their despatch said that the average annual coinage while the mints were open was 7 crores of rupees?—Yes.

729. In the five years that have elapsed this means a stoppage of currency of 35 crores?—Not necessarily. You may take it that 7 crores that were coined every year—the whole of India's imports of silver—passed through the mints, but it was melted down again.

730. But I am going to allow for that. I say that means a stoppage in currency of 35 crores, and, making allowance for the melting down of the rupees

into ornaments, this must mean a starving of the currency during that period to a very large extent?—I maintain that it is impossible to say how much was melted down.

731. The Government estimate that of the 7 crores $3\frac{1}{2}$ went permanently into currency and $3\frac{1}{2}$ was melted down?—Yes.

732. (*Sir D. Barbour.*) May I ask whether any grounds were given for that estimate?—It is impossible to make any exact calculation.

(*Sir D. Barbour.*) Are there any reasons given for adopting that estimate?

(*Mr. Campbell.*) They do not give any reasons.

(*Sir D. Barbour.*) I am not aware of any reasons for saying that the addition was $3\frac{1}{2}$ or 4 or 6 crores; I believe it is impossible to say.

(*Witness.*) I maintain that it is impossible to say.

733. (*Mr. Campbell.*) Still, there is a good deal of it added to the currency, and a good deal melted down?—Yes. There is one thing perfectly clear, that, before the mints were closed, the whole of the silver that was imported went through the mints, and practically the silver that was made into ornaments got the hall mark of the Government.

734. But, taking into account the shrinkage in various ways that has been going on, and the increased requirements of the population and of trade, the currency must have been contracting in relation to trade requirements during that period?—No doubt; but, owing to the circumstances I have explained, it got more redundant just before the closing of the mints.

735. (*Chairman.*) However, you admit it has been contracted?—Yes.

736. (*Mr. Campbell.*) Then you say the reason for the dearness of money is the want of confidence in the stability of the rupee?—Yes.

737. Now, a good deal of capital was remitted home when exchange touched 1s. 4d.?—And a good deal was remitted about 1893.

738. And years before that?—Yes. One bank, I know, as a matter of fact, remitted its capital at an average of 1s. $3\frac{1}{2}$ d.

739. That was after 1893?—That occurred in 1893. It was mentioned in the Report of 1894. The whole of its capital was transferred to this country. This is evidence of the loanable capital of the country having come out of India.

740. Without going into detail as to the process by which this transfer of capital is carried out, you agree that these withdrawals of capital have had some influence in preventing exchange advancing to gold point?—I do.

741. In other words, influencing currency in the direction of scarcity by preventing the natural addition which would otherwise have gone on?—None of that currency has, of course, come out of the country. For instance, a bank might remit its capital of, say, half a million. It did not send home that amount of silver. The bank bought merchants' bills for its remittances, and on realising these bills when due it kept the money there and did not, as in ordinary cases, buy the Secretary of State's bills.

742. It indirectly bought produce?—It bought bills drawn against produce.

743. And that produce went home, and there was no return back for it?—That is so.

744. Then take the native bankers and traders throughout the country by whom the large internal trade of the country is conducted. Would this want of confidence in the stability of the rupee extend to them?—I doubt it. It would extend to the speculative Marwari down in Bombay and Calcutta; I do not think it would have much effect up country.

745. They would not understand the difference between the exchange value and the intrinsic value?—I do not think the people up country know very much about it. The speculation I talk of is mostly done in the ports.

746. Would you think then, that there is any inducement to hoard rupees still?—I think there is as

much as ever. The native is accustomed to do it from time immemorial; and I do not see why he should stop it.

747. But no one would hoard a thing that has fallen in value?—I do not think the native knows anything about falls in value. If the native gets a rupee in excess of his requirements, he either buys a bangle or ornament with it, or stores it away.

748. Then you still think there is plenty of currency for the purposes of trade?—My belief is that there is sufficient currency in the country to carry on the day-to-day transactions of the country; but there is a shortage of loanable capital.

749. You say that the mere fact of the high rate of interest is in itself no indication of a scarcity of currency?—I do not think it is in itself. They may be allied to some extent.

750. You recognise that there was a plethora of currency in 1893?—I think there was a plethora of currency in 1893, but that currency took the shape of loanable capital.

751. I would like you to define what loanable capital is?—I will explain what I mean. My opinion is that from 1892 to 1893 there was a considerable speculation in silver in India. A merchant sold bills for, say, 100,000l.; the banks bought silver against that, and had it coined, and kept it in the shape of currency notes in the Bank of Bengal until these bills were presented. They may have been sold for delivery several months ahead. The merchant had no bills to offer, but he put off the transaction for another six months, and then probably closed the transaction by buying and delivering a bank bill. In that way there was more currency left in the hands of the banks than there would be now for the ordinary legitimate requirements of trade.

752. Does that imply that the loanable capital lay in the banks in the shape of currency?—In the shape of currency. It was imported into India, and there it lay until it was worked off.

753. Then the rate went down to 2 or 3 per cent.?—It did.

754. Then if that is so, why should not a 12 per cent. rate and a shrinkage of the balances in the Presidency banks mean that currency is scarce now?—I have seen no evidence of the currency being scarce in India. I came home from India the other day. While I was in India I saw no evidence of scarcity of currency. I had no difficulty in getting any currency I required.

755. Then you said this in reply to Mr. Hambro. He put it to you that if India exported five millions of produce in excess of her imports and took that five millions back in sovereigns, that would be an advantage to the country, and I think you said that you did not see that it would make very much difference?—I do not think it does.

756. Do not you think that that depends on the use the country puts it to? If India were to get five million sovereigns for the price of her surplus exports, and instead of coming to London to borrow money were to make her own railways and do her own public works, that would be an advantage to the country?—But I take it that nobody sells more of his produce with the object of benefiting the country at large. If he exports 1,000 rupees' worth more produce than he imports in the shape of goods he gets the money. I do not see that it is an advantage to the country; it enables the man next year to provide his requirements without doing so much labour.

757. Suppose he invests his 1,000 rupees in some scheme that he has confidence in, is not that benefiting the country? The five million sovereigns, if they are properly used, would mean an addition to the country's potential wealth?—I do not think the wealth of a country depends on the coin in the country.

758. The coin can be invested in securities?—These securities represent property. If you add to your property, of course you add to your wealth. The wealth of the country does not consist in hard coin.

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759. What is true of an individual is true of a country. If you employ this surplus which you get in excess of your imports in undertaking, with home capital, your railways and other public works, is not that much better than going to a foreign country and borrowing it?—Then it reduces the balance. You say the advantage to the country is when it invests its surplus sovereigns in railways. Therefore you wipe out the balance.

760. Then you said that the rise in the rate of interest was a disadvantage to the country while it was in progress, but that if people could see it coming they could guard against it?—That is generally so, I think.

761. Is it no greater burden on the industry of a country to have a bank rate of 12 per cent. than it is to have a bank rate of 5 per cent.?—It means either a reduction of the price of the products of a country, or a corresponding rise on the other side.

762. But you know that a large portion of the industry of India, in fact, of any country, is conducted on borrowed money?—I admit that it is a disadvantage—a great disadvantage to the country.

763. (*Mr. Le Marchant.*) Are the native producers of India as largely employers of paid labour as European capitalists in India?—No, they are not.

764. So that possibly, in that sense, the value of the rupee does not come before them in so direct a way?—No.

765. They would look rather on the value of the produce on which they have to bestow their own individual labour?—No doubt.

766. Suppose any increase in the value of the rupee is a tax upon them, would they have some compensating advantages in the way of increased railways, steamship lines, and so on?—Undoubtedly, and also in the shape of the avoidance of other taxation.

767. You were asked as to the opinion of the commercial community on the policy of 1893—whether that policy had been wise or not; it is possible that the community are more concerned in discussing what ought to be done now than in going back to what was proposed to be done some years ago?—I think that is so. That is what I found when I was in India.

768. With regard to exchange, would it be the case that any demand would have the same effect on exchange; that is to say, that, so far as exchange is concerned, it is immaterial whether the money seeking remittance is borrowed by way of loan, or is independent capital being sent out to be employed?—Precisely.

769. In endeavouring, then, to arrive at a rough estimate of the normal balance, just as exports are taken to represent, in a certain proportion, remittances from India, Government remittances, or private remittances, would you consider that, to a certain extent, imports represent remittances out?—Undoubtedly.

770. Just so far as capital in any form is being remitted out it is not seeking for an immediate return that year?—No.

771. For instance, if imports represent capital sent out, the return for which is to come in later years, one would not necessarily expect to find corresponding exports within that year to cover it?—Not necessarily.

772. So that in analysing any balance of trade one would not assume that all the imports were calling for immediate payments, but they might be remittances out, exactly as exports are remittances home?—Precisely.

773. With regard to the scarcity or otherwise of currency, do you think there were circumstances of an exceptional nature in the past year that diverted money from banking centres?—I have no doubt that the famine and the military operations drew a great deal of money up country.

774. And the expenditure on those operations may have tended to raise prices where that money was

expended, although the prices in another part of the country might be lower?—No doubt.

775. With regard to the withdrawal of capital from India, I think you said that the actual total currency in itself had not been diminished, because no rupees are shipped out of the country?—Just so.

776. But so far as exports were required to convey these remittances from India to England, India did not have the advantage of using the sterling proceeds of those exports; just so far as the sterling proceeds of that portion of the exports might have come back in gold, in that particular case the gold would have caused an addition to the currency?—Yes.

777. May I ask, from your own experience in shipping matters, whether there is any evidence in the receipts from freights or the payment of wages that there is any difficulty in obtaining currency?—None whatever.

778. Would you attribute the unwillingness of the community to send out gold to their anticipation that the policy of the Government might not be maintained?—I think I should attribute it entirely to the fact that there was a doubt as to whether the Government seriously intend to maintain that policy.

779. (*Sir F. Mowatt.*) It has been pressed upon you that, if the hoarded ornaments have to be brought out and sold, that constitutes a loss to the natives who have hoarded them. But surely the raising of the purchase power of the rupee has enabled the natives to purchase more ornaments with the same number of rupees?—Undoubtedly.

780. Having regard to the recent fall in the value of silver, that would represent an absolute benefit to the natives who bought ornaments during the time the low prices obtained?—That is so, no doubt.

781. Another thing pressed upon you was that prices were not affected in India to the small producers by a rise in the value of the rupee; but I think you said that if rents were drawn by the Government in rupees at a certain period of the year, the small producer was obliged to take a lower price for his crop during that time?—I think what I intended to say was that, if it so happened that when the rent is due, and rent has to be paid, there is not much loanable capital to be had from the Marwaris up country, from whom the ryots borrow on the strength of their crops, and that they have to pay a higher rate of interest.

782. Then it does affect the prices so far as the ryot is concerned?—Naturally.

783. But if he has to pay a higher price he has less disposable money; and does not the same principle affect the people whom he has to pay. If he cannot pay the same amount for anything as he could before, is not the labourer compelled to pay a little less for his labour?—Most of the ryots do their own cultivation.

784. Now, on the general question, have you considered what the Government of India has gained or lost by the closing of the mints in 1893?—I have made out these figures for you: Bills and telegraphic transfers sold from the 27th June 1893 to the 31st March 1898 inclusive amounted to Rs. 109,47,11,773, realising in sterling 63,639,879*l.* If they had been sold at the rate of 1*s.*, they would have realised only 54,735,589*l.* So that the difference between the 1*s.* and the rate that has actually ruled has amounted to 8,904,290*l.*—practically to 9,000,000*l.* sterling.

785. (*Chairman.*) How many rupees would that represent at the same rate?—18 crores of rupees.

786. That would have been an increase on the taxation of India?—The taxation of India would have had to be increased in the last five years to the extent of 18 crores of rupees to put the Government in the same sterling position as it is to-day.

787. Who has to pay that 9,000,000*l.*?—It has been practically an indirect tax on the people. I hope a good deal of it has been got out of the sterling buyer on this side.

788. (*Sir D. Barbour.*) Does your calculation refer only to the drawings of the Secretary of State?—That is all.

789. Because there are other charges to be met in India which are settled or fixed on a sterling basis?—No doubt. This is purely bills and telegraphic transfers.

790. (*Sir F. Mowatt.*) As to the general effect of your evidence, the Committee may take it, first of all, that you are opposed to the re-opening of the mints?—I am.

791. That you favour the establishment of a gold standard?—Yes.

792. And that you consider the rate of the rupee for that purpose may practically be assumed at *ls. 4d.*?—I do.

793. You limit your evidence at this stage to the proposal of the gold standard?—That is so.

794. (*Chairman.*) Simply to clear up one or two points in your evidence, let me ask you two questions. One is as to a matter of fact, and the other is as to a matter of opinion. First, with reference to the figures that Sir David Barbour took you over, as to balance of exports over imports in 1896–97 and 1897–98. Those were the two famine years?—Yes.

795. The year before, that is, in 1895–6, the excess of exports over imports was *Rx. 44,946,745*?—Yes.

796. Do you consider that the great reduction from *Rx. 44,946,745* to *Rx. 28,145,700* was practically

owing to the famine?—The famine and the plague together.

797. Then you were asked about accumulating gold out of revenue. With your experience as a member of the Legislative Council of India, and your experience of public affairs generally, do you think it would be possible for the Government of India to accumulate so large a sum as three or four millions of gold, and still maintain the same rate of remittances to the Secretary of State. In other words, do you think the Government would be compelled to part with that gold or reduce taxation?—Given a period of four or five good years, good revenue and good rains, and carefully looking after expenditure, it is possible they may be able to do that without increasing taxation.

797a. I did not say without increasing taxation; I said without reducing taxation. For instance, I do not know whether you are aware that there is a very strong feeling in the House of Commons with reference to reducing the taxation on salt. Do you think the Secretary of State would be able to oppose a reduction of the salt tax, and at the same time to confess that he had an accumulation out of revenue of five millions of gold?—Of course I see that difficulty.

Adjourned.

THIRD DAY.

Monday, 6th June 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

MR. JAMES EDWARD O'CONOR, C.I.E., called and examined.

798. (*Chairman.*) You are the director general of statistics to the Government of India?—Yes.

799. How long have you occupied that post?—About three years, since May 1895.

800. What department were you in before that?—In the Finance Department; I am there still; I am *ex officio* assistant secretary in the Finance Department.

801. You have been in charge of the Trade Department for a good many years?—Yes, since 1875.

802. Therefore, for 23 years you have been practically in the Trade Department?—Yes.

803. And for how many years have you written your annual reviews of the trade of India?—I wrote the first in 1875.

804. Then the official reviews of the state of Indian trade for the last 23 years have been written by you?—Yes.

805. And you are of course familiar with the whole course of trade during that time?—Yes.

806. Starting from the year 1885—how was trade affected by the depreciation in the value of the rupee?—I cannot say that the trade was really affected in its volume. What happened was that there was a considerable restriction from time to time and embarrassment in carrying out transactions, but on the whole I cannot find that exchange really had any practical effect either on the volume or on the value of trade.

807. Let us illustrate that remark by a figure, I see that in 1885–86, according to some figures which have been laid before us, the import of merchandise was *Rx. 51,000,000*?—Nearly *Rx. 52,000,000*.

808. It will be best to take round figures. In round figures it was *Rx. 52,000,000*?—Yes.

809. Then it steadily increases until 1890, and then it drops. It is in 1890 *Rx. 69,000,000*, then in 1891–92 it goes down to *Rx. 66,000,000*; and in 1892–93 it goes to *Rx. 62,000,000*?—1890 was a very exceptional year. That was a year in which there was a very rapid and singular rise in the value of silver and in the exchange value of the rupee. It rose quite suddenly on account of legislation in the United States, and there was an enormous temporary increase in the imports in that year. That was followed of course as usual by a restriction in the two following years.

810. In 1890 it was *Rx. 69,000,000*, in 1891 *Rx. 66,000,000*, in 1892 *Rx. 62,000,000*, and in 1893 *Rx. 73,000,000*?—1893 was another exceptional year. That was the year of the closure of the mints, and there was a sudden rise in the value of the rupee, and there was also a suspension of Council drawings. That accounted for the increase in the imports in that year.

811. Then the effect of those figures and those explanations which you have given us is this, if I am correct: So far as imports are concerned you do not

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think they were affected either in volume or value by the depreciation in the value of the rupee or by the closing of the mints?—Quite so.

812. It seemed to be outside the question altogether?—Quite so.

813. In 1885-86 the exports were practically Rx. 84,000,000?—Yes.

814. Then the next year they go to Rx. 88,000,000, and they keep rising until in 1891-92 they reach Rx. 108,000,000?—Yes.

815. The highest point that they ever seem to have reached was in 1895-96?—These figures include re-exports. It would be much better, I think, to confine ourselves to exports of Indian produce alone.

816. Now you see the line I am going on, will you give me your own figures in your own way?—In 1885-86 the exports of Indian produce were nearly Rx. 81,000,000, and they went up in the next year to nearly Rx. 85,000,000, then to Rx. 86½ millions, then to Rx. 92½ millions, then to Rx. 99,000,000, and then they fell to Rx. 96,000,000.

817. What was the year of Rx. 99,000,000?—The year 1889-90. Then they fell again to Rx. 96,000,000, rising in 1891-92 to Rx. 103½ millions, then Rx. 102,000,000, then Rx. 102,000,000 again, then Rx. 103½ millions, then Rx. 109½ millions, and then we have had two famine years, when they fell to Rx. 100 and 93½ millions.

818. That is the last year?—Yes, the last two years.

819. What do you say as to the effect of the depreciation in the intrinsic value of the rupee upon the export trade?—There also I cannot find that the exchange has had anything to do with the question. You have got a rapid rise in 1891-92 from Rx. 96,000,000 to Rx. 103½ millions, due to a famine in Russia and to the very large consequent export of wheat at high prices from India. Apart from that there is nothing very particular.

820. Then when the mints were closed, do you see any effect?—When the mints were closed—that was in 1893-94—we had a temporary stagnation of trade. The figure then and in the following year was Rx. 102,000,000; there was only a fractional difference in the two years; but in 1894-95, the trade went up again, and in 1895-96 it increased very largely.

821. What inference do you draw from that?—The closure of the mints for a time dislocated trade operations, especially with China, to a very serious extent. That only lasted for a few months, but still it lasted long enough to show its effect on the volume of trade for the year. The following year things recovered themselves, conditions were adjusted, and trade went on just as usual.

822. Then it had no permanent effect?—It had no permanent effect.

823. Was there anything exceptional in the year the mints were closed with reference to the import of silver that would affect the trade?—It would not affect the exports of merchandise. There was a large importation of silver, but that only lasted for a short time.

824. It had to be paid for in merchandise, had not it?—Yes, of course it had to be paid for in merchandise.

825. To that extent would it not stimulate exports?—No, I do not think so, no more than the importation of piece goods or any other article.

826. What do you consider now the state of trade, say, in the last 12 months, the mints being closed? The drawings have been contracted, I think, lately?—Yes.

827. When was the last year of full drawing?—The last year of full drawing was 1895-96, and in 1895-96 we had a very large trade, amounting to Rx. 109½ millions. Following that we had two famine years; we could not export goods because we had not them to export. But, since November last, trade has been reviving, and now it is extremely active. I should

look to trade in this year being probably much in excess of that of 1895-96.

828. In the year 1897-98 was the average price of the rupee over 1s. 4d.?—In 1897-98 I think the average price of the rupee was something under 1s. 4d.

829. Now the price of the rupee is rising, and you think the trade is also rising?—I know the trade is rising. The trade has been extremely active since last November or December.

830. Is that normal or exceptional?—Exceptional with regard to the wheat trade, because of the rise in the price of wheat. There has been what may be called a boom in wheat, and we happen to have an excellent crop.

831. Is the increase in the value of exports pretty fairly distributed?—Yes, pretty generally, but we shall know more about that later on in the year. During the first two or three months of the year we have little except rice and wheat to export. Then we come on later to tea, indigo, jute, seeds, cotton, and so on.

832. Would that point to the conclusion that the increase in the price of the rupee and its exchange value has diminished trade?—Not at all, I think, so far as it is possible to judge yet. The increase in the exchange value of the rupee has been coincident with the worst famine we have had in India. It began about October 1896, and it still remains to be proved whether with the high value of the rupee the trade can be maintained. I do not see any reason to suppose that it will not be maintained.

833. And you form that opinion in the light of the experience you have had since the mints were closed?—Yes.

834. Your deliberate opinion is that there is no ground for supposing that the course of trade in India has been injuriously affected by the closing of the mints?—Not the slightest.

835. Then we may take it that during the last two years the normal export trade has been restricted by the plague and the famine?—Much more by the famine than by the plague.

836. You mean the plague in Bombay?—Yes, principally—not only in Bombay, but Karachi also, where it was very bad. The plague caused a panic amongst the people, and productive industry and trade ceased for a time.

837. Will you give us your opinion as to what the effect has been, if any, of the divergence between the intrinsic value of the rupee and its exchange value? You have the India Office diagram showing the increasing divergence?—Here is a diagram of my own that I prepared some time ago. [Witness produced a diagram.]

838. Do you say your diagram is different from that of the India Office?—Hardly. I think they are almost exactly the same.

839. Has there been any effect from that wide divergence?—Any effect on trade?

840. Yes?—No, none at all.

841. Do you think that the trade in India is large enough to carry off the total amount of Council Bills, assuming the drawings to go on to their present amount?—That is to say something like £17,000,000; yes, I think so. We have the experience of 1895-96 to show that the thing can be done, and, although the rate of that year was lower, I do not see any reason why it should not continue to carry off the whole amount at the present rate. It is merely a question of supply and demand: we may perhaps have to sell our goods more cheaply.

842. Will you just explain to the Committee the actual working of the drawing of Council Bills as against exports?—I am not intimate with the details of that arrangement. All I can say about it is that when an exporter is ready to do his business he wants rupees, and the way in which the rupees can be got is through the banks, who get the rupees by paying in gold to the Secretary of State and buying his bills.

843. In London?—In London.

844. If the rupee is low, if the exchange rate is low, do you want a larger amount of exports to buy, say, 16,000,000*l.* or 17,000,000*l.* sterling?—Yes.

845. And if the rupee is high, you want a smaller amount?—You want a smaller number of rupees.

846. Without saying which way those two contrary circumstances would operate, must not they both operate upon the state of trade?—Not on the state of trade unless they operated to affect prices. That is the only way in which they could affect trade.

847. Assuming that is so, if they did affect prices it would operate on the state of trade?—Yes.

848. Have they affected prices?—Not at all. In examining the course of prices in India, I can find no influence of exchange upon it. I see the effect of the seasons, and the effect of supply and demand from time to time, but I cannot find that exchange has anything to do with the rise or fall of prices, except so far as that there has been a general rise of prices in India, which commenced in 1885-86, and was coincident with a very heavy fall in the gold value of the rupee. But whether the two things, being coincident, are also cause and effect, is a point on which I feel inclined to hesitate to offer an opinion. About the fact there can be no dispute.

849. Where a man has given 18 rupees for his sovereign in one case, and 15 rupees in the other, does not that affect prices in India?—It has not done so so far as I can make out.

850. And so far as wheat, cotton, indigo, or jute are concerned, you think that there has been a rise of prices?—In the case of articles which are chiefly intended for export, prices have not risen in all cases; in some cases they have remained stationary or fallen. The tendency is to follow gold prices. The prices I refer to as having risen are prices of ordinary food grains, which do not enter really into the export trade.

851. In other words, the sale of exports in India is carried on, in the main, on a gold basis?—Yes.

852. It is the gold price in London or wherever the market may be—it is London, I suppose, at all events for 80 per cent. or 90 per cent. of the export trade—which settles the price of the articles?—That refers to the articles produced mainly for export.

853. Do you say it does not refer to wheat?—Wheat also, as far as it is exported, certainly follows the gold price.

854. Now, will you just give the Committee the figures as to the trade in India conducted with countries whose monetary system is based on a gold standard, and countries whose monetary system is based on a silver standard?—In 1896-97 our trade with gold-standard countries was over 158 millions, that is to say, 81·7 per cent. of our whole trade; and our trade with silver-standard countries was not quite 31½ millions, equalling about 18·3 per cent. That was in 1896-97; I have not got the figures for 1897-98 yet, but I do not think that there is any substantial change in the proportions.

855. Is that trade affected, either for better or worse, by the instability in the exchange?—The trade in silver countries has, certainly, been affected.

856. Not in gold countries?—It is very hard to say, because it must be remembered that we have been going through a very abnormal period for two years, and the effects of the closing of the mints, if it has had any effect on the trade, would be so obscured, owing to the two famine years that we have had, that one would hesitate before expressing an opinion. I do not myself believe that there has been any effect.

On the contrary, so far as the closure of the mints goes, I should say that the trade with gold countries has been facilitated, or would have been if we had had a steady exchange, but the misfortune is that we have not had a steady exchange as yet.

857. Now, about the silver countries?—With silver countries there is no doubt that the trade has been subject to much embarrassment, just the same

sort of embarrassment that used to occur in the trade with gold countries before the closure of the mints; that is to say, one was never able to say what exchange was going to be the next day or even the same afternoon. It is a factor additional to all the other factors of uncertainty incidental to trade which has been introduced into the trade with silver countries. Before the closure of the mints, exchange was practically steady and unvarying within the limits of the cost of transmission of silver.

858. That is so far as silver countries are concerned?—Yes, I am speaking of silver countries.

859. But before the mints were closed, so far as gold countries are concerned, trade would be affected by the instability of the exchange?—We had exactly the same disadvantage with them. We have transferred the disadvantage from the trade with gold countries to the trade with silver countries.

860. China, you say, has the largest trade with India of silver countries; is that so?—Yes.

861. Larger than Japan?—Much larger than Japan as yet.

862. What is the nature of the trade with China?—Opium, stands first, or rather, cotton yarn stands first; opium comes next; after that there are some gunny bags—jute manufactures; that is about all.

863. Now, as to this instability of exchange with silver countries; has that affected the trade?—It has not affected the trade. At the beginning, there was a great dislocation of trade for the first few months following the closure of the mints until prices were adjusted, and trade adapted itself to the new system. Since then the trade has proceeded without special difficulty between India and China.

864. What is the next silver country you refer to after China?—Japan has now been transferred to a gold standard, and Ceylon I also regard as a gold standard country. The Straits Settlements come next.

865. You say that Rx. 31,000,000 represents the value of the trade with silver countries. How much of that Rx. 31,000,000 is China, and how much all the other countries?—With China it is rather over Rx. 16,000,000, and with the Straits Settlements it is about 8½ millions.

866. Those two countries take the bulk of it? They take the bulk of it, yes.

867. You called our attention to the fact that in 1892 the closing of the mints was expected to seriously affect the trade in cotton yarn with China. What effect has that had?—The immediate effect was a great restriction in the quantity exported.

868. India exports less of cotton yarn to China than it did before the mints were closed?—Oh, no. That only refers to the year in which the mints were closed. Since then the trade has quite recovered.

869. We ought to get that beyond all dispute, that the year the mints were closed there was a general dislocation?—Yes.

870. And it would be very unwise to base anything upon the statistics of that year?—That is so.

871. Since then, will you tell us what the effect on the trade in cotton yarn has been?—The quantity of cotton yarn exported to China in the last ten years, stated in millions of pounds, is:

1888-89	- 101·25	1893-94	- 120·88
1889-90	- 114·15	1894-95	- 145·18
1890-91	- 151·05	1895-96	- 174·71
1891-92	- 145·56	1896-97	- 186·07
1892-93	- 178·86	1897-98	- 189·24

It should be noted that the yarn trade with China had been considerably overdone for the years immediately preceding the closure of the mints, and that the accumulation of unsaleable stocks in China was so great that for some months before the closure of the mints the Bombay cotton mills had been working short time. Even if the mints had not been closed, the trade in 1893-94 would certainly have been restricted. The recovery in 1894-5 would also have been greater but for the outbreak of hostilities between China and

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Japan, and of plague in Hong Kong and Canton. In the last of the ten years the plague in Bombay seriously restricted business.

872. How has the closing of the mints affected the trade with Japan?—The closure of the mints did not affect the trade with Japan in any way that can be distinguished, because we had very little trade with Japan until the closure of the mints. Our trade with Japan has been a quite recent development.

873. Is it on the increase?—Very much on the increase—most remarkably on the increase. There are three countries in regard to which the increase of trade has been quite remarkable—Japan, Germany, and Belgium. What has happened with Japan has been to some extent—not, I think, a large extent—a diversion of trade which used to be carried on with China. The Japanese have started a direct trade, and with the establishment of cotton mills there they are taking an enormous quantity of raw cotton from us.

874. Has that stimulated the growing of cotton in India?—I should say it must have done so.

875. But has it diverted the export of raw cotton? Has the raw cotton which previously went to Europe now gone to Japan?—Yes; the Japanese give us better prices. Our cotton hitherto used to be most largely consumed on the Continent of Europe, but it is now most largely consumed in Japan, because the cheapness of American cotton in recent years has encouraged the substitution of that cotton on the Continent.

876. How has the tea trade been affected?—Our tea trade?

877. I mean the Indian tea trade in competition with the Chinese tea trade?—Our tea trade has gone on increasing year by year without a pause. I am speaking of the imports into England which takes nine-tenths of our tea; they take our tea in increasing quantities every year, and the China tea has fallen in increasing proportion every year.

878. How have prices been affected by the exports into England?—The prices of our Indian tea at the present moment are low. I do not think they are lower than they have been. The figures are given in the Review of the Trade of India for 1896-97, at page 35, in annas and pies, per pound: they are, in the years from 1889-90 to 1894-95: 11-8, 11-2½, 11-1, 13-0½, 11-1½, 14-0½; the last figure was for 1894-95, that is, the year following the closing of the mints, the very best year for tea that producers probably ever had. Then there was a fall. In 1895-96 it was 11-1½, in 1896-97 it was 9-11½; and, last year, in 1897-98 it has come down still lower.

879. Has the fall in the price of tea been in any way caused by the closing of the mints and the rise in the value of the rupee?—I do not find any evidence that that is the case; but there is a good deal of evidence to the effect that there has been for the moment what is called over-production; that is to say that the production has outstripped, for the time being, the demand.

880. (Sir D. Barbour.) Do you point to that as the cause of the fall in price?—I should feel inclined to do so.

881. (Chairman.) Has the coffee industry been affected?—The coffee industry has not been affected. The coffee industry is rather a peculiar one. Coffee grows in India in a very restricted zone. It could not be grown out of that very restricted region, and there has been hardly anything of an increase, mainly for that reason, and because planting was discouraged by the ravages of the diseases which blighted the plants; but planters have done remarkably well as regards prices for the last 10 years, and if at the moment prices have gone down, it is the result, I think, of about the biggest crop that Brazil has ever produced.

882. (Sir D. Barbour.) Brazil, I believe, is really the country that mainly competes in coffee?—Brazil is really the country that regulates the coffee supply of the world.

883. It is the great coffee producer?—Yes; if Brazil went out of the market, the price of coffee would run up to astonishing levels.

884. (Chairman.) Given the limited area in which coffee can be produced in India, the trade has not suffered by the closing of the mints?—Not at all.

885. It was anticipated that it would suffer?—It was anticipated that it would suffer very much, and it was.

886. The coffee planters believed that the trade would be ruined?—They believed it would be ruined, but, as a matter of fact, their trade did remarkably well.

887. Now going to another branch of the question, what was the effect of the diminution of the value of the rupee, caused by the fall in the price of silver, upon wages in India?—Wages have increased as prices have increased since about the year 1886; but the increase was greater in the wages of skilled labour than in the wages of unskilled labour; and though, as in most countries, the increase in wages has not been as large as the increase in prices, still there is a very marked increase of wages in many parts of India.

888. You mean the increase in the prices of food?—Yes.

889. And clothing?—No. Clothing has fallen in price; but clothing is not a very large item in the domestic economy of the masses of India.

890. Most of their expenditure is on their food?—The bulk of their expenditure is on their food.

891. Take the class above the ordinary labourer—take the skilled labourer—have his wages increased?—It is in skilled labour that the increase is most marked.

892. Can you tell us the per-centage?—I should call it about 20 per cent. Taking the wages of the operatives in the mills at Bombay, and the operatives in mills elsewhere, I should say that during the last 12 years the increase may be put at about 20 per cent.

893. Would that increase cover, or be in excess of, the increase in their expenditure for food?—So far as regards prices during the last few years, the increase in wages is less than the increase in the cost of food.

894. I do not mean the famine years—I mean apart from that—take the price of food, say, in Bombay, to-day?—I think prices are still very high, or were.

895. Take them before the famine—say in 1895?—The increase in wages was not in quite the same proportion as the increase in prices.

896. Was it more or less?—It was rather smaller.

897. How did it affect the class next above? I mean the ryots, the tenants; their rent was fixed at so many rupees at the period of the Settlement. If the rupee falls in value it is to their advantage, is it not?—If prices rise?

898. Yes?—No doubt that is so.

899. But not if they do not rise?—Not if they do not rise.

900. Do you think that the effect of a rise of price reaches the small cultivator directly?—It depends upon circumstances. Sometimes it does not reach him at all; it reaches the middle man from whom he borrows money to carry on his operations. I think, taking it all round, there is some exaggeration about the indebtedness of the peasant, and I should think he does benefit from a higher range of prices.

901. Has your department any statistics which deal at all with the volume of the currency?—No, we have not, except the statistics of the coinage from year to year.

902. You know what are the imports and what are the exports: that is in your department?—Yes.

903. We are going to hear Mr. Harrison, and, therefore, I will not take you over that. Now, in a paper which you have submitted to us, you give us the net imports during the five years end 1882-3, and the five years during the five years ending 1897-98. first

all the net imports of gold for the five years ending 1892-3 were 2,218,355 ounces; for the five years ending 1897-98, the net imports were 770,289. Have you any explanation to give us about that?—A good deal of gold was exported in the famine years.

905. You think it was drawn out?—Well, not drawn out of hoard, but all the floating gold that there is about the place comes in then, and it is exported, in default of having merchandise to export when the crops fail. You always find a pretty considerable export of gold and a diminished import. Then, no doubt, the export of gold is also influenced by the fall in the value of silver.

906. (Sir D. Barbour.) Has the establishment of Indian gold mines affected the result at all?—That also has affected it.

907. To the extent of a million a year?—Probably.

908. That is to say, if there is the same net import as there was before, there must be an increased consumption to the extent of one million a year in India?—Yes, of course that would affect the question.

909. (Chairman.) The first reason, you say, was the famine. Then, in addition to the famine, you think it was affected by the production of gold in the mines of Mysore and other places?—Yes.

910. Now, you give us the net imports of silver. For the five years before the closing of the mints, the net imports were 200,490,838 ozs. For the five years since the closing of the mints they have been 178,600,778 ozs. That is a very large diminution?—No, I make it out to be only about 11 per cent.

911. What is your explanation of that?—I do not think anyone can explain it. It has been a subject of astonishment to us ever since the closing of the mints that there has been such a demand. Before the closing of the mints, practically all the silver imported, with the exception of about 4 per cent, passed into the mints and was coined. Then the assumption used to be that at least half of that remained in the currency as coined silver, and the other half was melted down. But it looks now, judging from these figures, as if that inference was not quite correct, and that a very much larger proportion of the rupees that were coined must have been melted down into ornaments.

912. Not hoarded?—No, not hoarded, judging from the imports of silver. I do not believe that any of these imports of silver have been got into hoard; I think they have all been converted into ornaments, except so far as they went into the native mints.

913. Have you any idea in your mind of the proportions of the population which are above and below what we may call "the ornament-wearing line"?—Of course there are a large number of people in India who cannot afford to wear any ornaments at all. What is the proportion?—I think everyone in India tries to get hold of an ornament. I have seen the very poorest with a silver toe-ring, but I suppose that, taking it all round, you might say that perhaps some 30 per cent. of the population could not afford to buy any ornaments.

914. (Sir D. Barbour.) Are you aware that in some parts of the country they very largely wear base metal?—That is what I was going to say. They wear pewter and lac and glass.

915. Those are the people that you include in your 10 per cent?—Yes.

916. (Chairman.) Taking the people altogether there are 200,000,000 who would wear ornaments?—

Yes, silver ornaments?—Silver, ornaments, and then gold. Of course that is only a rough

estimate, but what I want to get at is this. Of course these figures look very large when the five years are added together; but if you take 200,000,000 ounces over the five years, that is, 40,000,000 ounces a year, and if that is distributed amongst 200,000,000 of people, it is a very large average for ornamental purposes?—Yes, to a great

919. In your judgment there has not been much illicit coinage since the closing of the mints?—We have no evidence at all of illicit coinage other than what has been going on from time immemorial.

920. And you would have known it had there been any exceptional illicit coinage?—I think it is practically certain that who should have known it.

921. (Sir D. Barbour.) The Government gets returns of all cases of illicit coinage that are discovered?—Yes, I have a return here (handing in a return).

922. (Chairman.) This return covers everything, counterfeiting, possessing instruments, abetting, and every possible variation of coinage offences. The total number of persons convicted in 1888 was 550; in 1890, 528; in 1891, 578; in 1892, 650; in 1893, 490; in 1894 (this is the first year in which returns were received from the native states, and the figures for those states included since then have also been included), 601; in 1895, 644; in 1896, 589?—That is so.

923. Now, is there any indication of the rupee declining in value itself in India?—The diagram shows that, for a period after the closure of the mints, the rupee fluctuated more or less with the fluctuations of silver, though the exchange value of the rupee was immediately raised materially above its intrinsic value, and since the 26th June 1893, there has been no indication of a decline in that value to the level of silver bullion.

924. No approximation to a decline?—No, on the contrary, the divergence has been steadily upward. This diagram shows that the rupee has about reached the limit that it can reach under present arrangements. But it is impossible to say of silver whether it has reached the level of decline that it can reach.

925. You think the divergence has reached its limit?—In the one direction—the upward direction.

926. The rupee has now got to 1s. 4½d.?—About that.

927. And what is the intrinsic value of its silver content?—It will be a little over 10d.

928. Now, giving only your general opinion, what would be, do you think, the effect in India, supposing the mints were open, on the trade of India?—Supposing the mints were opened, I think there would probably be a commercial crisis more severe than any we have ever seen.

929. Please tell the Committee what your views are as to that?—If the exchange value of the rupee were reduced to-morrow, say, from 1s. 4d. to 10d., I do not know how merchants would be able to meet their obligations.

930. You think it would produce a catastrophe in the trade of India?—I think so.

931. Now, supposing, not that the mints were opened at once, but supposing there was a belief in India that that was going to be done in the course of 12 months?—Well, you can always, more or less, discount the effects of a thing if you have 12 months' notice, but with a prospect of a heavily falling exchange trade in the interval would probably be brought to a deadlock.

932. But could it be discounted so far as the Secretary of State's drawing were concerned?—No; you would have to impose additional taxation to a very large amount.

933. (Sir R. Howarth.) Did you say that the variation in exchange with gold countries had been less since the closing of the mints?—No, I did not say that. On the contrary, I said that we had transferred from gold countries to silver countries the disadvantages of a fluctuating exchange, but that unfortunately the fluctuations in exchange had not ceased.

934. The fluctuations in exchange with gold countries?—Yes. It is only during the last few months that we have had anything like a steady exchange.

935. Then the closing of the mints has not had the effect of lessening the variation of the exchange?

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Not yet. If you look at that diagram you will see that exchange has fluctuated greatly since the closing of the mints. We are in a period of transition, and we suffer from all the disadvantages of such a period.

936. You think the period of transition will not be prolonged beyond what was expected?—Personally I had hoped that we should have reached a steady exchange long before the end of five years.

937. Now, to go to another subject; you are aware that it has been contended before us that the tea trade is now commencing to suffer severely by the increase in the value of the rupee. You have explained that partly by the fall in the price of tea. Taking coffee, the same conditions would apply to coffee as regards its production, I suppose, as applied to tea, that is to say, that if the production became more expensive because of the increased cost by the change in the value of the rupee, that would apply equally to tea and coffee, would it not?—Yes.

938. The market for coffee is not glutted or overstocked, is it?—It is this year, I believe.

939. But taking the figures we have got up to now?—No, and consequently the price of coffee has been extremely high, higher during the last 10 years than it has been known before. I have a record of the price of Ceylon plantation coffee and also of the price of Indian coffee, both rising and falling together.

940. I will take that from you, but the deduction would appear to be that the trade is affected not so much by the increase of the cost of production, but by the over supply of the market?—That is what I gather.

941. And that deduction as regards the trade in coffee confirms the opinion you have expressed as to tea?—Yes.

942. (Sir J. Muir.) If a tea planter in Calcutta wanted to provide funds to pay the wages of his coolies, and other expenses, and in order to do that he sold bills upon his London banker, say to the extent of 10,000*l.*, at what rate could he sell those bills in Calcutta?—You mean at present. I suppose at the present moment 1*s.* 4*d.* the rupee—say about 15 rupees to the *£*.

943. Some years ago, before the closing of the mints, he could have sold at 1*s.* 1*d.* or 1*s.* 1½*d.*?—He could not have done so at any time before the closure of the mints, but there have been times since the closure when he could have sold at those rates.

944. In that way, then, he would have far more rupees for his 10,000*l.* than if the exchange were at 1*s.* 4*d.*?—Yes.

945. Therefore is not there an increased cost to him by the rupee being at 1*s.* 4*d.*?—Yes, of course it would be an increased cost to him, but that does not mean an increased cost of production.

946. Why not?—It means simply a larger capital. It has nothing to do with the cost of production. It is a larger capital applied to the industry.

947. If he lays down tea in London he would do it more cheaply at 1*s.* 1½*d.* the rupee than at 1*s.* 4*d.* the rupee?—No, I do not know where the rate of exchange comes in. He has got to lay down his tea in London at the price of the market, whatever that may be.

948. At the price of the market in London?—Yes.

949. How?—He sells his tea in Calcutta.

950. Not all. The great majority of it is sold by auction in London?—I understand that the tea sales in Calcutta represent the bulk of the production.

951. I think, if you look at the statistics, you will find that that is not so. At all events, you will find that a very large number of the producers of tea sell their tea in the London markets by auction?—I have not got the quantities here.

952. But does it make any difference? Supposing that a planter can get rupees for his bills upon his London banker at 1*s.* 1½*d.*, you acknowledge that he will be able to get far more rupees for 10,000*l.* than he could if the rupee were at 1*s.* 4*d.*?—Yes.

953. And, therefore, proportionately he will be able to lay down his tea in the London market more cheaply?—But that's one transaction. It is only done once.

954. I know a great many cases where the thing has been placed before me. Here is an operation; he has to pay the wages of coolies and managers and superintendents and various other expenses; the tea is sent home and sold in London, the proceeds of the tea that he has sold amount to as much as is due to the bank, and the balance is profit. The balance will be larger when the rupee is at 1*s.* 1½*d.* than when it is at 1*s.* 4*d.* Is not that so?—Yes.

955. (Sir D. Barbour.) With regard to the question that Sir John Muir asked you about the 10,000*l.* laid out at 1*s.* 4*d.* exchange, as compared with the 1*s.* 1½*d.* exchange, a few years ago those bills might have been drawn at 1*s.* 6*d.* or 1*s.* 8*d.*?—Yes, and more.

956. 1*s.* 10*d.* and 2*s.*?—Yes.

(Sir J. Muir.) And 2*s.* 2½*d.*

957. (Sir D. Barbour.) So that if there is any advantage in the fall of exchange, even though the planter only gets 1*s.* 4*d.* at the present day, he still gets a greater advantage as compared with what he got before?—Quite so.

958. Now you put in certain figures relating to exports and imports?—Yes. The figures of the total trade of India for the five years before, and the five years after, the closure of the mints are these:—

Year.	Imports.	Exports.
	Rx.	Rx.
1888-89 - - -	83,285,427	98,833,879
1889-90 - - -	86,656,990	105,866,720
1890-91 - - -	93,909,856	102,350,536
1891-92 - - -	84,155,045	111,460,278
1892-93 - - -	83,275,087	113,554,899
Total - - -	431,282,405	531,565,802
1893-94 - - -	95,482,687	110,603,561
1894-95 - - -	83,110,200	117,139,850
1895-96 - - -	86,304,238	118,594,549
1896-97 - - -	89,188,511	108,921,521
1897-98 - - -	94,164,938	104,783,827
Total - - -	448,251,069	560,048,316

959. Those figures include gold and silver?—Yes.

960. And Government imports?—Yes.

961. The Government imports, I think, would be mainly military stores and stores for railways?—Yes, military stores, stores for railways, and a very small quantity of civil stores.

962. There has been a considerable increase in the stores for railways owing to the construction of railways on a large scale?—Yes, a very large increase.

963. And so far as those stores are concerned the increase in imports may be said to be independent of the exchange?—Yes, the totals of Government trade have but slightly increased during the last few years.

964. Government stores have increased also?—Yes.

965. And these figures also include the stores required for the construction of railways that are being made by companies?—Yes.

966. And that import would be independent of exchange—I do not say in the long run, but for the time being—it would be independent of exchange—Yes.

967. You say the export trade has increased 5 per cent. What were the particular were referring to there?—I have taken the five years before and the five years following the closure of the mints.

968. It is on the whole group of Years?—Yes. I have a statement here of the exports Years by Years with the rate of exchange each year.

969. I think we have sufficient information in the table you have already given us. The imports seem to have increased since 1894-95, and the exports have rather fallen off?—Yes.

970. That is while exchange was rising?—Yes.

971. That would rather indicate that the balance of trade was turned against India during those years?—Well, we have had these famine years.

972. I was not going into the cause of it, but that is the fact?—There is no doubt about the balance having gone against us.

973. And it is rather remarkable that during that time the exchange has been rising?—Yes.

974. I do not say it is not capable of explanation, but it is remarkable that with a rise in imports and without the same rise in exports, and in fact with a fall in exports, you should have a rise in exchange, and the balance of trade against you. Of course, there is an explanation, but it is a remarkable fact at first sight. Do you agree with that?—Yes.

975. Then you expressed an opinion—I do not wish to challenge it in any way—that at an exchange of 1s. 4d. the volume of trade would be quite equal to all demands on account of the Secretary of State's bills?—That is my opinion.

976. You referred only to the Secretary of State's bills, but there are all the other demands?—Yes.

977. You include everything?—Yes.

978. You say that at an exchange of 1s. 4d. India is quite able to meet all the demands?—Yes, I think so, in ordinary years.

979. You know, of course, that those demands are very considerable?—Yes.

980. It would be difficult to give the exact figure, but they are very large?—Very large.

981. In the last five years, if you look into the figures, there are only two years in which the surplus of exports would be sufficient to meet the demands?—That is in 1891–95 and 1895–96.

982. And in the other three years, although I do not think the calculation is very accurate, the surplus would be insufficient?—In 1895–96, 1896–97, 1897–98.

983. And 1893–94?—In 1893–94 the surplus was reduced, because Council bills were suspended.

984. I am not going into the cause, but the fact is so?—Yes.

985. In the two years in which India was fortunate enough to meet all her liabilities, the exchange was very low?—Yes, 1s. 1½d., 1s. 1½d.

986. In the three years in which she clearly did not

export enough to meet her liabilities, the exchange was higher, 1s. 2½d. to 1s. 3½d.?—Yes.

987. I suppose in those years, if she had had to export enough to meet her liabilities, the exchange might have been something lower?—It is possible.

988. One cannot say to what extent?—No.

989. Now what do you consider the cause of the very remarkable and steady rise of exchange between 1894–95 and 1897–98—I mean steady from year to year, not from month to month or week to week?—I am inclined to attribute the rise to the diversion of rupees from the commercial centres to the interior of the country for the purposes of famine relief, for the purposes of military operations on the frontier, and for the purpose of railway construction.

990. You think that is the cause of the rise in exchange?—I think so.

991. I was not speaking of the high rate of discount?—No, the rise of exchange too. The call for rupees in those centres induced greater anxiety, I should think, to get the rupees.

992. It is the withdrawal of capital?—The withdrawal of capital and the anxiety to get rupees for the current purposes of trade.

993. If the capital came back, do you think exchange would fall again?—I am inclined to think that it would. I have no belief whatever in the general idea that there has been a great contraction of the currency.

994. Do you pronounce a decided opinion, or do you say that you have no evidence in favour of it?—We have no evidence whatever to support the theory that there has been a contraction of the currency.

995. In the interior of the country the prices of food grains, which are the most important items in the interior, have risen during the famine?—They have practically doubled themselves, and they have not fallen to the former level yet.

996. You said in your evidence that the price of exports, that is, of the chief exports as a rule, such as jute and so forth, you thought had not risen?—Jute has risen, and rice also, and some other articles have risen, but others have fallen.

997. I spoke to you a few days ago about, as it seemed to me, the importance of getting for, say, 10 years, the gold prices and the silver prices of the chief imports and exports of India. Have you got those figures?—I have. They are as follows:—

PRICES of certain COMMODITIES in LONDON and CALCUTTA.

(a) Rupee prices in Calcutta.

(b) Sterling prices in London.

[In this Table the figures are based on the prices in 1873, which are taken to represent 100.]

	Wheat.		Rice.		Cotton.		Jute.		Linseed.		Rapeseed.		Tea.		Indigo.		
	(a.)	(b.)	(a.)	(b.)	(a.)	(b.)	(a.)	(b.)	(a.)	(b.)	(a.)	(b.)	(a.)	(b.)	(a.)	(b.)	
1888	-	81	54	110	69	99	62	126	79	93	65	84	56	72	73	85	79
1889	-	83	51	136	89	104	66	151	90	104	69	—	74	66	64	81	76
1890	-	81	54	143	96	95	67	122	81	99	71	98	73	55	63	79	79
1891	-	92	63	138	96	84	52	127	75	99	70	102	72	65	67	77	92
1892	-	95	52	160	92	86	46	153	96	113	65	84	62	71	44	91	72
1893	-	86	45	174	83	100	51	154	82	117	69	103	61	62	39	106	86
1894	-	75	39	164	90	89	43	158	88	121	64	—	51	79	35	101	89
1895	-	83	39	139	—	91	42	141	67	119	61	—	50	71	35	102	78
1896	-	112	45	156	—	90	48	155	75	97	54	95	55	66	33	90	73
1897	-	120	51	246	—	86	43	132	76	94	51	113	61	54	30	80	69

998. I have not seen them, and will not ask you any questions about them, but perhaps you will put them in?—Will put them in.

999. Now the famine began in 1896–97?—In 1896; you may say that it began in September 1896.

1000. And lasted through 1897–98, more or less?—Until the Kharif was vested, in September 1897.

1001. It ran into the financial year 1897–98?—Yes, quite through the first half of 1897–98.

1002. And those were the years in which there was also the plague?—Yes, the plague broke out at exactly the same time as the famine.

1003. It had not much effect on the trade, I suppose—not very much?—It had a very serious effect on the Bombay mill industry. It paralysed that for the time being.

1004. And there was very large military expenditure during those years?—Very large military expenditure. I think that all came into 1897 or

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1005. Is it not a remarkable thing that, just as great military expenditure and great famine expenditure were about to take place, that was the very time at which the exchange took a sudden start upwards?—Yes.

1006. Ordinarily speaking one would expect that causes like that would have the opposite effect?—Yes; but as I said before, I think these things caused a diversion of available capital from the commercial centres, and that was the main cause of the rise in exchange.

1007. Are you aware that it was in 1896-97 that very large borrowing of all kinds was undertaken by the Government?—No, I cannot say much about borrowings.

1008. The figures are in the statement which has been laid laid before us. I will take the figures for 1895-96 and 1896-97. If you will turn to the statement prepared by the India Office, you will see that 1896-97 is the year in which the increase in borrowing took place. I will compare only the two years 1895-96 and 1896-97. You will see that, so far as India goes, there was paid off in India in 1895-96, Rx. 584,812?—Yes.

1009. And in the year 1896-97 there was borrowed Rx. 5,326,125?—Yes.

1010. Showing a very remarkable change?—Yes.

1011. Then you will see that the amount of rupee capital paid by railway companies or irrigation companies into the Government treasuries in India is not very much. In 1895-96 it is Rx. 163,800, and in 1896-97 it is Rx. 328,000?—Yes.

1012. Then, if you look at the statement giving the net amount of money raised by debt incurred in London, you will find in the year 1895-96 there was paid off 1,600L.?—Yes.

1013. In 1896-97 there was paid off 849,992L. Then in Statement B, "Amount of capital raised in London by Indian Railway or Irrigation Companies, guaranteed by the Secretary of State," you will see that the capital received in 1895-96 was 940,733L.?—Yes.

1014. For 1896-97 it was 3,570,893L.?—Yes.

1015. So that in India you may say that the difference between the two years is something very like six crores of rupees, taking what was paid off in one year and borrowed in the other?—Yes.

1016. And in borrowing in London there was about 846,000L. to the good—being the repayment of debt to that amount?—Yes.

1017. Against which is to be set an increase of about 3,570,000L. raised by companies?—Yes.

1018-9. Making a net receipt of 2,724,000?—Yes.

1020. So that in London there was raised about Rx. 2,800,000 more in 1896-97 than in the previous year?—Yes.

1021. If borrowing has an effect on the exchange there was sufficient increase of borrowing in that year to produce an appreciable effect?—No doubt.

1022. In 1897-98—I will not go through the exact figures—but you know there was a very large borrowing in that year?—Yes.

1023. 1896-97 and 1897-98 are the two years in which the exchange showed a remarkable rise?—Yes.

1024. I may mention that these figures do not include what was raised in those years by railway companies that were not guaranteed by the Secretary of State. The figures we have ~~have~~ with have reference to the guaranteed railways?—Yes.

1025. And I think in 1897-98 there was a remittance to India over and above everything else of about 1,000,000L. sterling on account of the famine fund?—Yes.

1026. And if remittances from India have any effect on exchange, remittances to India would have some effect also?—Yes.

1027. That would be a special cause?—Yes.

1028. I have not seen your diagram of the divergence in exchange. I suppose it is the same as the

India Office diagram?—Practically the same thing on a larger scale.

1029. There is a remarkable divergence from about the year 1896?—It begun just about the same time as the famine and the plague, that is, about August and September.

1030. Are you aware of any reason why silver should have gone down at that time?—The Japanese currency reforms affected silver.

1031. When did the election of President in America take place? Did that have any effect or not?—I doubt whether it had any effect. I remember following the elections, and Mr. Bryan's discomfiture really had little effect one way or the other—nothing much.

1032. The cause that has put up exchange is probably not the same cause that has put down silver. It is difficult to imagine one cause that would produce both results?—No, I do not think the fall in silver has had any connexion with the rise in the rupee.

1033. You have already expressed your opinion about the contraction of the currency. Some prices have risen very largely, and, as regards the exports, some prices have risen and some fallen?—Yes.

1034. From examining the prices of the main articles of export, are you prepared to say that there has been a tendency towards a rise or a fall?—On the whole I should say there has been a tendency to a rise.

1035. That might be due, of course, to higher gold prices?—It might be. It is certainly coincident with higher gold prices.

1036. A higher gold price in England, of course, means a larger demand for the article?—Yes.

1037. It is only natural to suppose that if there is an increased demand for the article in England, the rupee price will rise?—Yes.

1038. A rise in the gold price in England means a rise in the Indian price, whatever the standard in India may be?—Yes, as a matter of fact, the price of wheat went up in India directly the price of wheat went up in England.

1039. It always does, in fact?—Always.

1040. And I suppose simultaneously, other things being equal, exchange would tend to rise too?—Yes.

1041. There would be an increased demand for bills to pay for the wheat?—Yes.

1042. Then you said that there had been a considerable withdrawal of capital from India?—Yes, there has been a very large withdrawal of capital, which commenced long before the closure of the mints and has gone on ever since; and recently there has been a large withdrawal of rupees from the commercial centres.

1043. And I suppose one of the causes affecting the supply of capital in India is the borrowing by the Government?—Yes.

1044. It would absorb so much of the capital?—Yes.

1045. That is to say, in 1896-97 there were, Rx. 5,600,000 borrowed?—Yes.

1046. We need not go into the figures of the other years, but I think it was something like Rx. 3,000,000 for each of the other years?—Yes.

1047. And that means so much capital taken out of the Presidency towns. I dare say you are aware that the supply of capital in India itself is, and always has been, very limited?—Yes. I am also reminded that out of the Rx. 5,000,000 two crores represent the currency investment.

1048. That was not a demand on the capital of the country?—No.

1049. It was an addition of Rx. 2,000,000 to the currency?—Yes.

1050. That would reduce the borrowing in that year to about Rx. 3,500,000?—Yes, about that.

1051. Then you said the wages of skilled labour have?—Yes, they have risen very

1052. There is a much greater demand for skilled labour in India than there used to be?—Yes, and the skill has not been acquired as quickly as the demand has increased.

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1053. Skilled labour in India is now more efficient than it used to be?—Very much more efficient.

1054. For example, there are workmen on the railways now who are much more skilful than in the old days?—Yes, the railway workshops have been training excellent men.

1055. And there is a greater demand for skilled labour, and that demand brings with it higher wages?—Yes, but the wages for unskilled labour have also increased.

1056. Especially, I suppose about the Presidency town?—Especially about the Presidency towns.

1057. But the special increase is in skilled labour? The special increase is in skilled labour.

1058. In the remote agricultural districts has there been much change?—It is hard to say; the agricultural labourer is paid in kind still to such an extent that the increase, whatever increase there may be, is disguised in the official returns. Of course, where he is partly paid in kind, as he is mostly everywhere, if he is paid a certain measure of grain, in addition to a rupee or two, the increased price of the measure of grain means an increased wage for him.

1059. If he gets the same quantity of grain, it is practically an increase in money wages?—Yes.

1060. You said that the gold that was exported did not come out of hoards, but was merely the floating gold. I have no evidence to the contrary, but I remember that in the Gold and Silver Commission of 1888, I think it was, Sir Hector Hay said that gold had come to this country, which evidently had been melted down from ornaments?—It is quite possible that some gold may have been melted down from ornaments, but I should not feel inclined to think it would be much. The people affected by the recent famine were not people who could afford to wear gold ornaments.

1061. Then as regards the imports of silver since the mints were closed, I understand there is not much change in quantity, but there is a considerable change in price?—Yes, the price has fallen very much.

1062. And that, I suppose, would of itself account for some increase in the imports?—No doubt that is so.

1063. And probably that would be the main cause?—I should think it is very likely that that is the main cause.

1064. When the rupee rises in value to 1s. 4d., even though the gold price of silver remains constant, it would appear to the Indian that silver was cheaper?—Yes.

1065-6. He starts from the rupee point?—Yes; he takes it, by the tola; he used to pay one rupee per tola, and now he will pay about 12 annas or less per tola.

1067. But exchange having risen, silver would appear cheaper to him?—Yes. I am inclined to think that some of the imports during this last year must have been speculative, though, of course, in the first instance all imports of silver are speculative.

1068. But speculation would come about in this way. An Indian banker, or a man having money, would say to himself: "Silver is now cheaper. I will buy now; I will hold for a time until better prices come about." He might be deceived in that expectation, but that would be the basis of his speculation?—Yes, but I think the importing banker does not speculate on his own account at all. He simply takes money that is given to him to purchase silver for a person who wants it to speculate with.

1069. I was referring rather to the mahajans or Indian bankers, not to the European bankers in India: They are the speculators; the importing bank do legitimate business.

1070. Will you explain how it is that a suspension of the secretary of State's drawings would affect the export trade?—I do not know how the thing comes about, but we know that it has happened on occasion when secretary of State's drawings have been suspended that the export trade has been suspended: export business has ceased for the time being.

1071. Exchange keeps a little higher?—Yes.

1072. And when it begins to fall again there is a corresponding increase in the export trade?—Yes.

1073. I daresay you recollect that about 1882 or 1883 the Secretary of State held up exchange to 1s. 8d.?—Yes.

1074. And it fell, and then very much the same thing happened as in 1893?—Yes, and it was resumed at once in 1894.

1075. The Secretary of State's drawing is merely the putting forward of a demand which India has to pay?—Yes.

1076. It is drawing money which India has to pay?—Yes.

1077. And she has to pay that by exports. If the demand is not put forward the exchange keeps high and produce is not exported. If the demand is put forward—if the Secretary of State draws bills—exchange goes down, and it becomes profitable to export. Really the cessation of exports when the Secretary of State ceases to draw bills is due to the fact that India is not called upon to pay her debts for the time being. That is the fundamental cause?—That, no doubt, is the basis of the thing.

1078. Now, as regards the exchange, there are many transactions between India and England, and those all result in bills drawn on the one country or the other?—Yes.

1079. This is only what appears in nearly every book on political economy. It is the competition of the bills between the two sides that makes the exchange?—Yes, I think so.

1080. Suppose exchange was 2s. the rupee and after the lapse of 10 days or a month, or whatever it might be, the transactions going on all the time, India had a claim on England for 10 millions, and England had a claim on India for 15 millions, you would set off 10 millions against 10 millions, and there would remain a claim by England against India of 5 millions sterling. That is to say, there would be somebody in India with rupees who was anxious to buy bills on England to pay his debts with?—Yes.

1081. That is the form it would take?—Yes.

1082. (Sir C. Crosthwaite.) You said that the gold price rules the exports of India?—Not of all exports, only of articles which are largely grown for export, of which the exports are in very large proportion to the quantity kept for consumption in the country.

1083. The reason I ask is this: Those figures that you have given us are in tens of rupees?—Yes.

1084. Do they show the actual gold value of the exports?—No, those tens of rupees only represent the market value at the port of export.

1085. With varying exchange, of course, the values in gold would vary. I mean, these figures do not represent actually the value of the exports?—It represents the value of the exports as declared at the port of shipment.

1086. In rupees?—In rupees.

1087. But taking the excess of exports as the means which India has of paying her gold debt, the figures here do not give a fair representation of the amount of payment made by India in any year?—I think they do—they must.

1088. Not unless they are in gold value. As the rupee varies, when the rupee is higher the figures ought to show that more gold debt has been paid than these figures would show, is not that so?—No, I do not find that to be the case. On the one side we have imports valued at the same import, on the other side we have exports valued at the same port, the port of shipment. It is the excess between the one and the other which represents the debt India has to pay.

1089. I do not know whether I am right or not, but I want to make out is this: If India has to pay 1,700,000l. sterling, in one year it may require more rupees than it will require in another year?—It depends on the variations in exchange.

1090. Do these figures as they stand show that?—Oh, yes; you will find if you look at them from year to year that that is so.

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1091. (*Chairman.*) Do you mean that the declaration at the port of export in India is the value in rupees?—Yes.

1092. Of course the amount of rupees depends on the gold value of the article that is sent. Put it in this way, suppose you are sending a quarter of wheat of which the gold price in London is 40s., the rupee value of that would be at the present time 30 rupees?—Yes, it would follow the gold value at the present time.

1093. Whereas, on the other hand, supposing the rupee had gone down, say, to 1s., and that 40s. represented 40 rupees; then the value of the wheat at the export port in India would be 40 rupees?—Yes, assuming that there was no variation in price.

1094. That is the hypothesis I am taking?—Just so.

1095. If we want to investigate the real trade of India we must have volume as well as prices?—Quite so.

1096. As I understand, in dealings with gold countries the rupee price of the day depends on the exchange of the day?—Quite so.

1097. (*Sir C. Crosthwaite.*) The tea and coffee planters, I understand, complain mainly that whereas they sell their produce in London for gold and remit in rupees to India to pay for their labour, as the exchange rises they have to pay more gold for the rupees which they remit for their labour, and therefore their labour costs them more. I understand that to be their complaint?—Yes.

1098. Do you think, supposing that complaint is well founded, that the ordinary producer of India, the ryot, is in the same position?—I suppose he ought to be in exactly the same position in so far as he produces stuff which is sent out of the country to gold countries.

1099. Do not you think that the fact that the majority of agricultural labour is paid for in kind affects the question?—It affects the question in this way, that if the producer gets a larger price for his produce he has got to pay a larger price for the labour.

1100. But does it affect him in the same way? He always pays in kind. Therefore, to him, there is no appearance of change in the amount he has to pay for labour?—When he is parting with, say, a maund of grain to his cultivators, and he could get five rupees in the market where he used to get not more than two rupees eight annas, he must think that he is paying more for the labour.

1101. As regards the importation of silver during the last year, in which there was one of the greatest famines there has ever been in India, the importation of silver was very large?—Yes.

1102. You think that has been used for ornaments?—Mainly, but some of it went into the native mints, and some of it into countries across the frontier.

1103. The amount that went into the native mints was very small—about four crores?—Yes, I think it accounts for something like 13 or 14 per cent. of the total imports.

1104. You are inclined to infer from that, that the former idea that half the silver imported into India was made into ornaments is erroneous. Formerly the idea used to be that of all the silver imported into India half was made into ornaments and half remained in circulation?—Or in hoards.

1105. You are inclined to think that the estimate of the amount that remained in circulation is too large?—Only so far as the figures go at present. I do not think we have a sufficiently wide basis to formulate a distinct conclusion on that point. It may be that half is the correct figure, and it may be that two thirds would be a nearer approximation to accuracy.

1106. You are not prepared to say that the argument of the Government of India, so far as it is founded on the great importation of silver, and the large additions to the currency that have been made from year to year, has been invalidated?—Which argument?

1107. The argument that the rupee has become redundant on account of the large additions to the currency which have taken place during the last series of years?—Whether the rupee is redundant or not is a point on which no one can express a distinct opinion at present. Some say the rupee has contracted; others say it is redundant. Which is the more correct of the two I should like to reserve my opinion about until we have emerged from the abnormal period through which we have been going practically since the closure of the mints. I am inclined to think that the next few months will show us what the volume of currency is really like, for we have now entered upon a normal period.

1108. (*Sir A. Dent.*) You say that we have been going through an abnormal period during the last two years, but you hesitate to form any conclusion as to the effect the closing of the mints will have on the trade of India; I think you said that?—No, I do not think I said that. I said that as regards trade, I do not believe the closure of the mints has had any effect at all on trade. I reserve my opinion as regards the effect of the closure of the mints on the currency in circulation in the country.

1109. In the tables of imports and exports which you have given us, you put the closing of the mints as in the year 1893-94. Trade possibly had not settled down then, I suggest, to the new condition of matters?—In 1893-94 that is quite so.

1110. Therefore, perhaps it might not be quite correct to form a judgment on the course of trade by taking five years in comparison with five years; perhaps it would be more accurate to take the last four years and compare them with the previous four years?—But then two of the last four years have been years of terrible famine, so that the comparison would be still further vitiated.

1111. That is true; and also we know that in the previous two years it was subject to a very low rate of exchange?—Yes, the exchange was very low.

1112. So that for those four years we have peculiar conditions; in the first two years a low rate of exchange, and in the last two years plague and famine?—No doubt.

1113. If you alter it to four years and four years, you will find that instead of having your import trade increased by 4 per cent. it is diminished by 4,000,000 rupees?—Which four years would you take?

1114. If you take the last four years and compare it with the previous four years, you will find that that shows a deficit in your imports, comparing the one group with the other, of 4,000,000 rupees?—You want to exclude from the comparison the year 1893-94.

1115. I want to put that into the previous group of four years. I take the four last years compared with the four previous years?—If you put 1893-94 into the previous group (call it the group before the closure of the mints) then you have in that group 1890-91 and 1893-94, both of them being extraordinarily exceptional years; in 1890-91 there was a temporary stimulus to imports both of silver and merchandise on account of the sudden rise in the value of silver, which will show itself to you in its extent from that diagram. Then you take 1893-94, in which, likewise, there was a large and very exceptional temporary stimulus of imports, caused by the sudden rise of exchange following the closure of the mints.

1116. My chief point is to show how difficult it is to deal with these last four years; how they have all had something exceptional about them?—No doubt that is so.

1117. And when you come to your export which you may say kept very steady during 1897-98 if has been very largely affected, I suppose, by ~~the war~~ ~~the~~ Have there been any wheat shipments taken into account in those figures?—No, the wheat crop did not come to market till April and May. That will come in 1898-99.

1118. Now, referring to the China trade, I think we may take it as a fact that there will be a considerable number of mills started in China which will

eventually compete with Bombay. They are starting now; that, I suppose, you are aware of?—I have heard that they have started. I have heard of some having been established at Shanghai, three or four, I think; but we have got well over 150 in India.

1119. You say: "Japan has become the largest consumer of Indian raw cotton for her mills, and the expansion of our trade in that and other directions with Japan has been extremely rapid, so rapid as to more than compensate for the stagnation in the China trade. If China were, in fact, to develop a cotton-spinning and weaving industry, I feel convinced that the progress to which such development would testify would result in a large expansion of our commercial intercourse with China, as in the case of Japan?"—Yes.

1120. Japan does not grow cotton; it is dependent entirely for its cotton on America or India or elsewhere. China does grow some cotton?—China does grow some cotton, but it is not much good. China has always taken a considerable quantity of cotton from India for quilting purposes.

1121. You say it is not much good, but that same cotton—the China cotton—has been exported very largely to Japan. Surely, if the Japanese mills can use it, the Chinese cotton mills can use it?—I believe you will find that that represents a very very small item indeed in the exports to Japan.

1122. I was not aware of that. I have seen a great quantity of cotton shipped from Shanghai?—No doubt there is a certain quantity shipped, but it is nothing considerable. They could not possibly have a large cotton industry in China without taking Indian cotton. The export of cotton, as given by the Chinese Maritime Customs, was in 1897, 493,000 piculs (a picul is about 133 lbs.), so that the total is a little more than half a million cwt., which is not very much. But, in any case, if China introduces an orderly Government, and has banking and postal facilities, and so forth, and is thus enabled to increase her foreign trade, I should be very glad to see it, for the sake of India, because our intercourse with China would certainly very largely increase.

1123. They have very few mills now; if they had more mills they would want more cotton?—In 1896 the export was 418,000 piculs.

1124. But this is capable of very large expansion, as the demand for China cotton rises, and I think it will rise as mills are put up in Japan, and as mills are put up in China?—No doubt, if China is able to produce the cotton.

1125. Now, may I ask a question or two with regard to tea? If the rupee is maintained, under the proposed scheme of the Indian Government, at 1s. 4d., and silver can be bought from China at, say, 26d., that will give the China tea grower a very large advantage over the Ceylon grower—perhaps 50 or 60 per cent.?—I would say, in answer to that, that since June 1893 the China grower has had a very distinct advantage over India, if there is any advantage of that kind, and yet nothing has happened except that the China trade has fallen off very materially.

1126. But do not you think that, under such circumstances, there is a strong probability that the Chinaman, taking advantage of this large percentage, which has only recently arisen, will succeed in resuming his tea trade with the United Kingdom, and the Colonies, and America?—Since June 1893 there has been an alleged advantage of 10 per cent. and more in favour of the Chinaman, and he has done nothing

1127. That is very different to 50 or 60 per cent. Do you not think there is very considerable danger of the Indian and Ceylon planter being ruined by this?—I think the Indian and Ceylon planters are perfectly capable of contending with the Chinaman, and beating him on his own field.

1128. Perhaps that would not apply to that class of small planter who owns his own garden—people who have no large body of shareholders to fall back upon?—I do not think they are at all likely to

be hurt. Exchange is only one factor in the conditions of trade, and it is not so important as people think. The other factors of trade are very much more important, and we have a distinct advantage over China in freight, in facilities of transport, in manufacture and everything, not to mention taxation.

1129. If the planter in India and Ceylon were very much hurt by this handicap, do you not think that the Indian Government or the Home Government should adopt some special measures to protect that industry?—The protection of the industry would then have to be given at the expense of the general tax-payer.

1130. Now as to coffee. You compare here the coffee in Brazil and the prices of your Mysore and Ceylon coffee?—Yes.

1131. There is practically no Ceylon coffee?—That is so.

1132. I think you stated that the prices of coffee were very high?—Yes.

1133. I think in Brazil the price of coffee has been about the lowest ever known?—Yes.

1134. It is the coffee *per se* both in Ceylon and Mysore that you deal with?—The average price of East India coffee in London has been as follows:—

		s.	d.	s.	d.
1874	-	110	10	119	0
1878	-	95	3	119	0
1882	-	61	2	108	9
1886	-	58	2	101	8
1890	-	100	0	112	2
1891	-	98	0	111	6
1892	-	97	8	111	0
1893	-	98	8	111	4
1894	-	93	9	108	3
1895	-	92	5	109	4
1896	-	88	11	110	11
1897	-	82	11	107	0

From 1877 to 1886 there was a continued and heavy fall in prices from a level of about 100s. to a level of 52s. Since 1887 prices have been on a high level, with a tendency to fall during the last year or so.

1135. Now give us the Brazil prices, and you will find that coffee has gone from 60s. down to 30s.?—During the present year?

1136. During the last 12 months?—No doubt that may be so. Brazil has had a very great crop.

1137. As to the import of silver into India, which has been going on very largely lately, are you aware of the amount that has been imported for coinage into British dollars?—Yes, that is taken into account, because I am giving the net imports.

1138. That is becoming a very important factor. It was about 3,000,000 dollars the first year, 6,000,000 the second year, and for the last year over 24,000,000. They actually coined 33,000,000 dollars up to the end of April and in May they expect to coin 4,000,000 dollars in the Bombay mint?—Yes.

1139. That is a fact that ought to be brought out in dealing with imports of silver?—Yes.

1140. (*Mr. Holland.*) In regard to these tables that you put in showing the course of trade during the five years subsequent to the closing of the mints and five years anterior to that event. These tables show a small increase of 4 per cent. in imports and 5 per cent. in export, but they do not, and could not, show what the increase would have been if the mints had not been closed. I suppose you would not like to express any opinion as to what the probable drift of trade would have been if the mints had not been closed?—What I said was that the closure of the mints had the effect of temporarily dislocating trade, but that it did not, and could not, have any permanent effect. Trade has been affected by quite a different set of factors.

1141. Then do you think that upon Indian trade the full effects have yet been realized of the closing of the mints, say, the effect on the internal trade of restricted currency or the effect on the foreign trade

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of stimulating competition in silver-using countries? Do you think that those full effects have yet been realized?—Yes, I think they must have been. I think we have had time enough during the five years to judge how far anything of that kind has had any influence.

1142. In reference to Indian trade you rightly say, that, of course, as with all kinds of trade, it must be influenced by the question of supply and demand, but do you not think that if any legislation takes place which has the effect of lowering the price, that will affect supply injuriously, inasmuch as it will diminish profit, and diminished profit, of course, sooner or later means diminished production?—Has there been any legislation affecting prices?

1143. That I am not prepared to say, but if any legislation were enacted that could be shown to have an injurious effect upon the rupee price of commodities, do you think that that would be injurious?—If there were any such legislation, I should think we should at once hear about it. No doubt trade would be affected if there were legislation injuriously affecting the price of goods.

1144. You admit that the closing of the mints, at any rate for a time, did introduce instability of exchange in regard to the exchanges with silver countries?—Yes, certainly.

1145. But you maintain, I think, that the effect of that instability on the trade with China has not been permanent?—No, it has not been permanent. Our trade with China is going on just as it used to go on before the closing of the mints.

1146. Then if the effect of instability is not permanent, does not that discount the value of stability generally?—No, it is a very important point in the conduct of commercial transactions that we should have a fixed factor in exchange.

1147. You say that it produces no permanent effect?—It does not produce any permanent effect on trade relations generally.

1148. With regard to mill building, I think you have already said that there has been cotton-mill building in China?—I am told that is so. They have three or four mills now at work in Shanghai, or about to work.

1149. Would it surprise you to hear that cotton-mill building in China is going ahead, and that the reason it has not gone ahead even more than it has is owing to the engineers' strike which took place last year, which interfered with the output of machinery for the starting of those new mills?—I should not be surprised to hear that; I should be rather glad to hear it.

1150. You referred to the mill building that had taken place in Japan. Can you tell us whether that took place under a gold standard or under a silver standard?—A good deal of it was before the war; since the war there has been a good deal more, and they have rather overdone it, I understand. That is very natural. They have had a very large inflow of money from the payment of the indemnity by China, and, as in the case of Germany after the Franco-German war, they have gone through rather an acute monetary crisis.

1151. You think the alteration of the standard has had nothing to do with it?—Not the slightest.

1152. You told us that notwithstanding the increase of mill building in Japan there has been some compensation in the way of ~~trade~~ trade with Japan, and you mentioned that there had been an increase in the exports of Indian cotton to Japan?—Yes.

1153. Do not you think it is a very ~~consolation~~ consolation for the Bombay millowner to know that the raw material which otherwise he might himself have worked up is being taken by his competitors?—As a matter of fact the export of cotton yarn from Bombay shows an increase year by year.

1154. You will admit that the exports of yarn show a very trifling increase when compared with the enormous increase in the exports of raw cotton?—The ordinary normal exports I mean. The export of

cotton to Japan is a new thing. If I were a Bombay millowner and I thought that my yarn was not going to be used, and that some Chinese or Japanese manufacturer would go past me and get the raw cotton and spin it himself, I should be greatly concerned; but that is not happening in India. While the export of raw cotton to Japan for manufacture has increased, our exports of cotton yarn have also increased.

1155. Are you in a position to say whether or not the Bombay mills are satisfied with the present position of things?—I do not think anyone is satisfied with the present position of things, because the present position of things involves the extremest uncertainty. What we want is a settlement.

1156. Do you admit that China has been greatly advantaged by this cheap silver?—No, not at all.

1157. You told us that wages had been increased, but not in proportion to the increase in prices?—Not quite so much.

1158. Then, to the extent of the difference, labour is disadvantaged?—No doubt that is so.

1159. Can you tell us, as a matter of information, if there are any trades unions in India?—Oh, no; we have occasional strikes, but there is nothing in the nature of trade unions in India yet, at all.

1160. You told us that the wages of labour in Indian mills had advanced 20 per cent.?—Quite that.

1161. Could you tell us whether the labour in China mills has also advanced?—I do not know about China. I know that in Japan the cost of labour has increased very largely.

1162. Since the gold standard?—Not since the gold standard; rather since the war. I may mention that the other day I came across a remark to the effect that in China wages have risen very high.

1163. You tell us that very large exports of gold have, in your opinion, been occasioned by the famine?—Probably, to some extent at all events.

1164. Do you think, to any extent, they may have been occasioned by the transfers of capital which we are told have occurred during the last few years?—It may be so. Gold is only merchandise, like anything else in India, and in default of having merchandise to export gold is shipped.

1165. You say a good deal of the imports of silver has gone to the native mints. How many of these mints are there?—There are not very many now. I have the figures here. There are 30 native mints on the list, but some of them have closed.

1166. But some are remaining open?—Some are remaining open. All the larger ones are closed.

1167. With those that are not closed I suppose business will be rather brisk?—No, it was rather brisk in 1893-4. Immediately following the closure of the mints there was a speculative coinage; but it was found not to be a paying business, and the thing has come down to normal proportions.

1168. You say that there is no reason to suppose that bar silver is being used for currency anywhere in India. I suppose there is no disability imposed upon bar silver being used for currency?—None whatever. If a man chooses to use bar silver as a medium of exchange he is free to do so.

1169. You admit that it is desirable to have a stable exchange, but do you not also admit that stability may be bought at too high a price?—Pretty nearly everything in the world may be bought at too high a price.

1170. In enumerating the effects of the closing of the mints, I notice you say nothing about the effect of the stringency of money currency. I suppose ~~the~~ not think there is any connexion between the two?—No, I do not.

1171. But you are aware that some ~~old~~ favourable rate of exchange has been ~~about~~ about by the closing of the mints?—Yes. That would only operate, of course, through a contraction of the currency, but we have no evidence that there is any such contraction. In fact, if, holding the quantitative theory, you look at prices, you will see that, not only

is there no contraction, but that there is still redundancy.

1172. Then you disagree with those who say the closing of the mints has been the chief factor in improving the exchange?—It is one of the factors probably, but certainly it is not the principal factor, to my mind.

1173. Is it not conceivable that, indirectly, the closing of the mints may have some effect on the stringency of the market? The high rate of exchange might lead to the transfer of a large amount of capital from India, and that transfer of capital would lead to a stringency of the money market. So that the indirect effect of closing the mints would to some extent, account for the stringency of the money market?—In a way the closing of the mints, no doubt, is the cause of the prolonged stringency in the money market, because, if the mints were opened, the money market would be relieved by the importation of silver passed into the mints and then passed into the currency, and you would have your capital there; but if people choose to send out their capital in gold, the stringency would at once disappear.

1174. I understood you to tell us that it was the scarcity of loanable capital that was responsible for the stringency?—That is my view.

1175. Do you think that is the principal factor, or that it is not rather owing to the contraction of the currency?—There are certain distinctive features of a contraction of currency, and none of those are present on this occasion.

1176. You said also, if the exchange value of the rupee were to fall from 1s. 4d. to 10d., a commercial crisis of unprecedented gravity would ensue?—I believe so. I have been informed by merchants in Calcutta and Bombay that they would regard such an event with the greatest alarm.

1177. But do you think there would be the same ground for alarm if the Government were to enter the market and make purchases of silver and coin it, with a view to approximating bullion and token values more nearly, and at the same time relieving the currency needs of the commercial community?—You mean bringing it about gradually?

1178. Yes?—I think it would probably act in this way: no one would feel inclined to enter into contracts, because nobody would know what the exchange would be next week. They would defer their operations until exchange fell.

1179. If capitalists here are of opinion that the return of their capital to India would be followed by a fall in the rate of exchange, are you surprised that they prefer to keep it on this side and not to send it back?—Of course it would require some sustaining elements on the other side. It would require the operations which we propose to undertake by the introduction of the gold standard.

1180. (*Mr. Hambro.*) Can you give us any idea as to the gold production of India during the five years in which you say the net imports had been 770,000 ounces, so as to get some idea of the gold that had been retained in the country during that time?—I have not the production of gold in India. I can get it for you.

1181. I only want to see how much gold has been retained in India during that period. I understand this to be the net balance?—The net importation after deducting exports.

1182. Therefore India also retains what she produces?—No, what was produced was exported. All the mines send their gold out of the country.

1183. Would not the amount of gold remaining in India be affected if the net of the imports and exports were 770,000 ounces and she also brought some out of the warth; that would make more remaining in India?—What was brought out of the earth was exported.

1184. The balance of the exports and imports was 770,000 ounces?—Yes, that remained after taking into account all that she sent out of the country,

whether it was locally produced or had been imported before.

1185. But I think what she brought out of the earth would be an increase of so-called capital in the country or gold in the country, would it not?—Not unless it remained there.

1186. It all remained there, and 770,000 ounces came in?—The increased capital with reference to the gold mines would be the capital employed in extracting the gold—not the gold itself.

1187. Can you give us the statistics of how much was produced in those five years?—The production of gold in India is reported to be:—

1894	-	-	211,770 ounces.
1895	-	-	248,885 „
1896	-	-	342,808 „

I have not got the figures for 1897 as yet.

1188. And could you give me any statistics of the increase of the rupee-using population?—In India?

1189. I said rupee-using population, so that Ceylon would also come in?—I have no statistics of the increase of population in Ceylon; but it would probably be much the same as India. In India we may take the increase of population to be something like 1 per cent. per year. We had about 287,000,000 in 1891, and you may say that it is something over 306,000,000 in India now, and 310,000,000 with Ceylon. I suppose there will be an increase since 1893 for the five years of somewhere near 20,000,000 in India.

1190. That is in British India alone?—In all India. The rupee-using population outside India is relatively very small. It is chiefly in Ceylon and Mauritius.

1191. And you consider the present rupee currency is sufficient at all times for the wants of the population?—At all times.

1192. Up to the present at any rate?—Up to the present moment we have had no indication whatever that there has been any actual scarcity of coin. To illustrate that I would say that I know of my own personal knowledge that in the interior of the country money has been available at any time, on the security usually considered good, at 8 per cent.

1193. Then you are not of opinion that 2 per cent. per month has been paid?—Not at all. Even in Calcutta I am aware that while the discount rate has been 12 per cent., and while it has gone even up to 13 per cent., you could always get money in the bazaars at lower rates.

1194. But I think you said that the flowing away from the centres, caused by the war, had decreased the amount of the currency in the centres, and thereby affected the exchange?—Affected the exchange, and affected especially the rate of discount.

1195. So that there was hardly enough currency, at any rate, to flow in the ordinary way through the centres?—There was not enough in the centres at that moment. It is just the case of a stringency of the money market, such as may occur, and does occur, in London or New York, or anywhere else. It is a dispersion of rupees, or a diversion. They are taken out of the places where they are ordinarily used and used elsewhere.

1196. So that, at the moment, the currency was hardly sufficient for the centres where it was wanted, as well as the other places?—It was quite sufficient for those other places.

1197. But not for the centres?—No, it was not enough there.

1198. Would you consider it wise, if possible, to have some currency law whereby the currency would increase or decrease automatically as necessity arose?—That would certainly be the ideal method.

1199. Do you think it would be a good way for India, if possible?—Certainly, much the best way, in fact, the only way, I think.

1200. I do not know whether this is a question which comes under your department. Do you think that, suppose a Bank of India were started with a gold capital, having power to issue notes and hold money against those notes, do not you think the native commercial people of India would rather borrow from

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that bank than from the money lenders at high rates? —No natives borrow money from money lenders at high rates except those who cannot obtain money from the banks now, that is, those who have no good security to offer, the classes who borrow on portable property in the way of pawn transactions.

1201. But I think it was stated in the evidence the other day that money had been borrowed on the security of gold at interest as high as 24 per cent. per annum?—I am not aware of anything of the kind happening, and I am not inclined to think it is true. The security must have been very bad.

1202. Gold?—It is impossible.

1203. (*Sir D. Barbour.*) But I understand that it was for a short period. I think it was said that there was something like a panic, and during the panic no business was done at the ordinary rates?—I suppose what is meant is, that there was such a stringency in the market, that although the bank rate was 12 or 13 per cent., the banks refused to lend at all; they wanted to keep hold of the money that they had got.

1204. (*Mr. Hambro.*) If the native could get an advance on his hoards from a bank such as I have described, do not you think he would be likely to take advantage of that?—I do not think so. The gold that was offered in the particular case you are speaking of was gold that was in the bazaar. It was not gold taken out of hoards; gold is not taken out of hoards. There are, in fact, no gold hoards, except those of the ruling chiefs. All the gold owned by the natives is in the form of ornaments worn on the person, except in the case of the great chiefs. In fact, with reference to the currency, you may say that we shall get no gold out of the store of gold that there really is in India. None would be brought into the market.

1205. You mentioned about the states that have the right of mintage. I think Baroda, Hyderabad, and Indore have mints of their own?—Yes. The Hyderabad mint ceased to coin in 1893. They found they were coining much too largely in excess of their requirements, and that the coin remained on their hands; it was an unprofitable speculation. I have here a statement of the quantity of coin which passed into the native mints since 1891. It is in tolas—a tola is three-eighths of an ounce. In 1891, 11,000,000 tolas; in 1892, 15½ millions; in 1893, nearly 20,000,000; in 1894 it came down to 8½ millions; in 1895 it was nearly 11,000,000; in 1896, 12,000,000; in 1897, under 8,000,000. So that except in 1892 and 1893, you may say that the coinage in those mints has been a normal coinage.

1206. Then you think the large hoards of gold in India are quite unapproachable by any means?—Yes, I think so; because they are on the persons of the people; they are not hoarded in the earth and they are not intended to be placed on the market.

1207. They must be very rich people, because I think you estimate the total gold in India at 300,000,000*l.*?—If you divide that off amongst the people of India, you will find that the quota of each is extremely small.

1208. (*Sir D. Barbour.*) Is there any theory as to what has become of the old Indian gold coins? Are they hoarded?—They have all been melted. Whatever hoards there are of gold, are, you may say, in the form of bars or ornaments.

1209. And the gold in the market would come to how much?—It is very hard to say.

1210. 1,000,000*l.* or 2,000,000*l.*?—I should hardly put it at much beyond that. It is only a few of the big chiefs who have any hoards of gold.

1211. It used to be understood, when it was thought expedient to buy gold and send it to this country, that you could not get in the Indian market more than, say, half a million of gold at any time?—I should think it extremely doubtful whether you could get so much at any time.

1212. That is in the market?—In the market; yes.

1213. (*Mr. Hambro.*) I seem to have misapprehended one of your answers as to the increase of population in India. Did you mean the figure you gave for India alone?—India alone.

1214. (*Sir J. Muir.*) British India?—No, all India.

1215. The total population of all India is 312,000,000, about?—Say about 306,000,000.

1216. (*Mr. Hambro.*) There is one of your answers that I did not quite understand. You said the Government borrowing in India reduces capital. But is it not the fact that the Government, when it borrows, borrows in rupee currency?—It borrows in rupees, but it takes away the rupees from the floating capital which is available for commerce and industry.

1217. But it only borrows when it wants to pay it away again. It is only a temporary reduction of capital?—It does not pay it out in the particular places where the capital happens to be wanted.

1218. It is a temporary disturbance?—It is a temporary disturbance, but it might last a very long time.

1219. (*Sir D. Barbour.*) What you say is this, that floating capital or the capital available is reduced, but the currency is not reduced?—Not at all.

(*Mr. Hambro.*) But the Government borrows in currency.

1220. (*Sir D. Barbour.*) Yes, but the currency is paid to the people for whatever Government may want; it ceases to be loanable capital then; it is in the hands of the ryot?—Quite so, but there is no diminution of a single rupee.

1221. (*Mr. Hambro.*) You said that when the Secretary of State ceases drawing, exports decline, but by his ceasing drawing does not money get locked up in the treasuries, and so get tighter?—Money gets locked up in the treasuries, but when it gets locked up in the treasuries in that way it is available for the use of the public if they choose to buy Council bills.

1222. But the effect of his not drawing locks it up for a time, and so makes money tight in India?—Yes, for the time being.

1223. Might that not affect the exports?—It might, yes.

1224. So that the very effect of his not drawing, and making money tight, might prevent the exports for the time being?—Yes.

1225. Then tight money prevents exports?—Tight money will certainly have the effect of discouraging exports; no doubt it has, and all trade generally.

1226. Do you think the money is sufficient on the spot in India for the wants of all the exporters and of all the ryots and everybody at the present moment, even granting the figure of 220,000,000?—Do I think that that is enough?

1227. Yes?—Oh yes, I think so.

1228. (*Chairman.*) I should like to clear up this point. Either these figures are wrong, or I do not understand them. As to the net exports, that is the net amount retained in India of gold—imports over exports—I make out that for the last five years, according to the figures which have been given to us, the imports of gold into India have been Rx. 21,764,459, say, Rx. 21,700,000, and the exports have been Rx. 16,310,000 of gold?—My figures are in ounces.

1229. Your figure is 770,289 ounces?—Yes.

1230. Then in round figures you will take 4*l.* per ounce?—Yes.

1231. I make out a difference of upwards of 2,000,000?—Of course, you have to take exchange.

1232. It would not be a question of exchange upon gold, would it?—Oh, yes, of course.

1233. When you put here 10 rupees in gold—what price have you taken it at?—At the price of the day.

1234. The current rate of exchange?—Yes, say 4*l.* an ounce—3*l.* 17*s.* 9*d.* or 3*l.* 17*s.* 10*d.* at the rate of the day; the rate at the time when the gold was

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actually exported or imported. I do not take it on the average of the year.

1235. But these returns are for the year. Take the last year. The total amount of gold exported from India last year was Rx. 3,372,700, and the amount imported was Rx. 7,281,200, showing a balance to the good for India of Rx. 4,908,500, and I find that that agrees with the calculation elsewhere as to what they call the net imports. Now, I cannot reconcile your net imports with this, except that this is taken at the exchange value, but the value of gold does not alter?—The value of gold in India alters very much.

1236. You mean more rupees could be got for it?—Yes.

(Sir D. Barbour.) These figures of the India Office are, of course, based on Mr. O'Connor's figures, so that there ought not to be any discrepancy.

1237. (Chairman.) Perhaps you will look into that, because I want to be clear about the point. For instance, how is the mining in India dealt with?—It is treated as an export.

1238. Suppose I send 500*l.* to India, that is an import; India exports to you 500*l.* in gold, that is an export, and therefore there is nothing to be taken into account; but my friend, A.B.C., has a mine which produces him 500*l.*, where does that come in?—That comes in in the exports, if it is exported. My answer was: "All that is mined is exported."

(Mr. Hambro.) May I put it in in another way. My theory is that, if the exports and imports are balanced by 770,000 ounces, there is in India at the end of the year 770,000 ounces *plus* what India has produced during the year. If I bring 40 barrels through that door, and I send out 20, there are 20 in the room, and if I find 20 under the floor also there are again 40 in the room.

(Mr. Campbell.) If you export those 20 barrels they add to the exports.

(Mr. Hambro.) But they are not exported; they remain in the room.

(Mr. Campbell.) No, India exports all the gold she produces.

1239. (Chairman.) Let me put it in this way: Last year the figures show that there was imported into India Rx. 7,200,000 of gold. The gold was sent there in some way; I suppose it was sent from England or from somewhere else, or according to my construction of your figures it was found in the mines in India?—No. Mining is a custom house export.

1240. Then does that include the million or million and a half which was raised in India?—Yes, it does. It includes all the local production and the re-export of imported gold.

(Mr. Hambro.) But the other gold must be somewhere.

(Sir D. Barbour.) If the exports and imports of gold balance in any particular year, India is richer by one million at the end of that year, that being the amount of gold produced in India.

(Witness.) That is so, of course.

(Mr. Hambro.) She is richer by what she produces over what she exports.

1241. (Mr. Campbell.) It was anticipated, was it not, that when the mints were closed the exchange would rise to 1*s.* 4*d.*?—Yes, that was the general anticipation.

1242. But instead of rising, exchange for two years subsequent to 1893–94 fell very considerably?—Yes.

1243. And concurrently with that fall of exchange there was a very considerable rise in exports?—Yes.

1244. I see from your tables that in 1894–95 the exports rose from 110 to 117 crores, in the following year 1895–96 to 118 crores?—Yes.

1245. Exchange then having fallen to the neighbourhood of 1*s.* 1*d.*?—Yes.

1246. In 1893–94 the Government held for a high rate of exchange; they did not allow the exchange to take its natural course, and in that year the exports fell from Rx. 113,000,000 in 1892–93 to Rx. 110,000,000 in 1893–94?—Yes.

1247. Now as regards the effect on the imports. In 1893–94, when the Government attempted to maintain the exchange, imports rose from 83 crores in 1892–93 to 95 crores in 1894–95?—Yes.

1248. Then when the Government allowed exchange to take its own course again, there was a very heavy fall of imports?—Yes.

1249. They fell to 85 and 86 crores in these respective years?—Yes.

1250. Then, when exchange began to advance again in 1896–97 and 1897–98, exports fell to 108 and 104 crores?—Yes.

1251. Which, you say, was accounted for largely by the famine?—Yes; the decline was mainly in food grains, and in cotton, the crops having failed.

1252. But in these same years there was not only a fall in exports, but there was at the same time a rise in imports. The imports rose from 86 to 89 crores, and from 89 to 94 crores?—Yes.

1253. The famine would not account for that?—No; the famine, of course, did not account for the increase of imports; exchange accounted for that for the time being. There was a temporary stimulus given.

1254. Now I wish to draw your attention to the similarity with regard to the rise in 1893–94 to 1897–98. In 1893–94 exchange was kept from falling by the Council holding their bills and holding out for a high rate. Exports fell and imports rose to an extent which greatly altered the balance of trade?—Yes.

1255. Very much the same thing happened in 1897–98, but the reason was not in this case that the Government held their bills for a higher rate, but that in consequence of the war and the famine, they had not the bills to sell?—Quite so.

1256. I would like to draw your attention to some figures as bearing on the question of the effect of exchange on trade balances. In 1893–94 the Government budgeted for 18,700,000*l.*, they sold 9,500,000*l.*, at an average exchange of 1*s.* 2*s.* 54*d.*?—Yes.

1257. The trade balance in that year was Rs. 15·12·00,000; that is, the Government only drawing half its requirements, the trade balance shrank to Rs. 15·12·00,000?—Quite right.

1258. Next year the Government budgeted for 17,000,000*l.*, and sold their 17,000,000*l.*, but the rate they got was only 1*s.* 1·10*d.*?—Yes.

1259. The trade balance in that year expanded to 34 crores?—Yes.

1260. Very much the same thing happened in the following year: they budgeted 17,000,000*l.* and sold 17,500,000*l.*, the rate being 1*s.* 1·64*d.*, and the trade balance that year being Rs. 32·29·00,000?—Yes.

1261. In 1896–97 there came a change; they budgeted only for 16,500,000*l.*, and only sold 15,500,000*l.*, the rate they got was higher, namely, 1*s.* 2·45*d.*, but the trade balance shrank to Rs. 19·63·00,000?—Yes.

1262. In 1897–98 they budgeted for 13,000,000*l.*, they only sold 8,800,000*l.*, they got an exchange of 1*s.* 3·40*d.*, the trade balance fell to Rs. 10·61·00,000?—Quite so.

1263. Does not this show a very close relation between the amount of the bills sold, the rate of exchange, and the trade balance?—Certainly. I do not think that the rate of exchange has anything to do with it, but it shows a very close relation between Council bills and the excess of exports over imports.

1264. But that is concurrent with the variation in exchange?—Yes, but I do not think the rate of exchange has had anything to do with the case. It is the amount required to be paid by India which has had everything to do with the case.

1265. We will come to that point about the effect on exchange a little later. Now take 1893–94. The Government sold about half their bills. They budgeted for 18,000,000*l.* and sold about 9½ millions?—Yes.

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1266. That was in consequence of their holding out for a higher rate of exchange?—Yes.

1267. Would you agree that if they had accepted the market rate of exchange they would have been able to sell the whole of their 18,000,000*l.*?—Yes.

1268. But in that case would the trade balance have shrunk to 15 crores?—No, the trade balance would have corresponded to the amount of council bills.

1269. And does not that show that the rate of exchange has a very important effect?—Not the rate of exchange, but the amount the Secretary of State is pleased to draw.

1270. But the amount the Secretary of State is pleased to draw has an effect on exchange. He will not get the same for 18,000,000*l.* as he got for 9,000,000*l.*?—No, I suppose he would not. The rate of exchange follows. It is not a cause but a consequence of the operations.

1271. The trade balance is the consequence of both together?—The trade balance, I think, is really the consequence of the operation, caused by the amount that the Secretary of State calls upon India to pay. The excess we send out is the amount of our debt to the Secretary of State.

1272. Then you do not think that the fall in exchange has any influence in compelling trade balances?—There is always a temporary stimulus, I admit, but I am quite certain there is no permanent advantage to trade by the fall in exchange.

1273. Now take the movements in gold. In 1893–94, with the exchange at *ls.* 2·54*d.*, the price of gold in India averaged about 26 rupees a tola?—I will take that from you.

1274. And India imported on balance 64 lakhs of rupees in gold?—That is so.

1275. In the following year, 1894–95, exchange fell to about *ls.* 1*d.*?—Yes.

1276. And the price of gold in consequence rose to the neighbourhood of 30 rupees a tola?—Yes.

1277. And India, instead of importing any gold, exported a balance *Rs.* 49·74,00,000?—Yes, an alteration of very nearly 5 crores.

1278. That is an alteration in the balance of trade in the item of gold alone of 5½ crores?—Yes.

1279. Is that due to anything else then the difference of exchange?—I may tell you that we have seen exactly the same thing before with open mints and with high and low exchange. It is just simply a question of the conditions of the time.

1280. But I suppose you would admit that if that five crores had not been exported, exchange would have fallen further than it did?—I suppose so.

and the only other question is the rate at which he can draw on London?—Also freight.

1284. Of course freight comes in in both cases. The higher rate which benefited the Manchester operation tells in the opposite direction in the case of the wheat operator, and makes the transaction impracticable?—Yes.

1285. Now you can imagine that a drop of, say 1*d.*, in the rupee might have altered the two cases entirely. It might have prevented the Manchester man from executing his order and enabled the Liverpool man to carry through the business?—Yes.

1286. So that in that case there would have been a double effect upon the trade balance, an export would have been prevented and an import facilitated?—Yes.

1287. That is an instance of the effect of a low exchange on the trade balance?—That is for the time being, but the people of India want only a definite quantity of Manchester goods, and if an excessive quantity is put into the country because the rate of exchange is high and it tempts people to send their goods in, there must be a reaction in the following year.

1288. But what I want to put to you is this, that a forced rate of exchange acts in the way of reducing the balance of trade necessary to enable India to pay its foreign obligations?—For the time being it does.

1289. And so long as that lasts?—It is only while the alteration is going on. When there is a sudden change you have that effect, but not afterwards.

1290. As long as the condition lasts it does operate in that way?—No, it only lasts for the time being. It lasts when the change begins to take place. Say exchange is *ls.* 2*d.*, and suddenly you close the mints and raise the exchange to *ls.* 4*d.*; that change causes an immediate demand for goods in India by people who want to profit by the high rate of exchange. But in the course of a few months all other conditions are adjusted and trade conditions resume the aspect which they had before the change occurred. You have a new set of conditions.

1291. But take the five years given in your table here. In 1893–94 you find the rate of exchange was *ls.* 2·54*d.*, and you have a trade balance of 15 crores. In 1894–95 the exchange is *ls.* 1·10*d.* and the trade increases to 34 crores. In the next year 1895–96 the exchange is *ls.* 1·64*d.* and the trade balance is 32 crores. In the following year, 1896–97, you find a rise in exchange to *ls.* 2·45*d.*, and you have a trade balance of 19 crores. It has fallen from 32 crores to 19 crores?—Yes.

1292. In 1897–98 you have an exchange higher still of *ls.* 3·40*d.*, and the trade balance has shrunk

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1298. You say that there seems to be no reason to suppose that in normal years, the trade of India will not be large enough to carry off the total amount of Council bills. Is it on the experience of the past five years that you rely in expressing that opinion?—No, I rely on the experience of any number of years.

1299. But the conditions are changed now. The mints are closed. With closed mints you have only the past five years to rely upon?—Yes, but I rely also on the productive capacity of India.

1300. Productive capacity is one element. The importing power of India is another. It is trade balance; both productive capacity and importing power?—Yes.

1301. And I think the figures which I put to you just now, prove that that trade balance is materially affected by the rate of exchange?—I am afraid we shall not be able to agree on that point. I feel quite sure that it is only what the Secretary of State requires from us. The question is, are we able to pay our debts? If the Secretary of State calls upon us to pay 34, or 35, or 36 crores a year as the equivalent of what he draws, I do not see why we should not give him that 34, 35, or 36 crores, or even 40 crores.

1302. At a rate?—Of course, it is a question of price.

1303. But you talk of a rate of 1s. 4d.?—I do not mean a rate of exchange. It resolves itself into the question of price. We should have to increase our exports largely, and the question would arise, would Europe give us the prices that we want?

1304. Low exchange means a high rupee price, does it not?—No, I am not inclined to think that exchange has any real effect on prices.

1305. Not on the price of these exports of gold that I was speaking of just now?—On the rupee price of gold, yes.

1306. I am speaking of rupee prices; a low exchange means a high rupee price?—Gold has a uniform gold price. It only varies within very small limits, but that is the only article in the list of the world's commodities which has a uniform gold price.

1307. Then, besides enabling Council bills to be sold for 1s. 4d., is it not necessary that India should be supplied with her currency as well?—Yes, but I think it will be a very long time before India will require to be supplied with a gold currency. For the time being, say for the next—well, I should not like to say how many—years, but for a good many years, she has a sufficient supply of silver without resorting to further currency.

1308. But the proposal is to send out gold, and issue notes against it?—Yes.

1309. That would increase the currency, would it not; the notes would be in circulation?—Is there such a proposal?

(Chairman.) I think it will be better to deal with this part of the question when we have Mr. Finlay.

1310. (Mr. Campbell.) I think you said that you would not rely upon any gold in the country going into the Treasury as currency?—No.

1311. But if gold can come out for export, as it does sometimes, if the Treasury price was better than the export price, would not that lead to it being sent in?—Yes, but this gold that is exported, is not any portion of the hoards of gold that we were referring to.

1312. But it is there available for export, and if it is available for export it would be available to be sent in if the prices were suitable?—To the same extent.

1313. Then it is very much a question of price?—It is very much a question of price. It would be available for either export or melting purposes in India or for sale in India.

1314. (Mr. Le Marchant.) With regard to the valuation in Rx. of exports and imports, and therefore to the net balance—Would the valuation as given in the tables in Rx. be an actual mercantile value—an actual difference—or would the rate of exchange have to be taken into account in arriving at that?—

The Rx. in this case, simply represents the rupee value; the rupee prices of the goods exported at the place at which they are exported.

1315. (Mr. Hambro.) On the day?—On that day.

1316. (Mr. Le Marchant.) And that might follow very closely on the market value in Europe?—Yes, in the case of a great many articles, it does.

1317. And equally with the imports?—Equally with the imports, yes.

1318. And just so far as that goes, it would be an actual and not an artificial sum?—No, quite an actual sum. There is no artificiality about it.

1319. With regard to the fall in imports after the resumption of Council bills, I think you were saying that, when the Secretary of State suspended the sale of Council bills, imports increased very materially?—Yes.

1320. And subsequently, on resuming sales, there was a reaction?—Yes.

1321. Would that have been caused by the excess imports taken during the suspension?—Yes, no other cause but that.

1322. Would that lead to the inference that after a time exceptional increases of exports, if attributed to exchange causes, would tend to find their level again—that is to say, that a reaction would occur after a rise?—It must do so, and always does.

1323. So that, taking the permanent effect, these changes would, as it were, work themselves out?—There is no visible permanent effect from them. You see changes from year to year, but if you try to ascertain whether there has been a large increase in the volume of trade, you find nothing of the kind. There is simply the ordinary increase, and sometimes not even the ordinary increase.

1324. If you look back at the statistics of exports and imports during past years, can you connect increases of exports with a fall in exchange?—Not at all. I have made out a table which may be of some use in connection with that question. (The witness produced a table.) This is a table of the values of exports and the increase or decrease in these values, with the exchange rate each year and the increase and decrease in it. I can find no connexion between them. Sometimes when exchange rose exports increased; and sometimes they decreased. Sometimes when exchange fell, we had an increase in imports; at other times we had a decrease. Sometimes the thing was reversed; with a rise in exchange there was an increase in imports, and so on. There is really no connection between them.

1325. How far, while the mints were open, would the value of silver come in there so that it would in itself have been a determinant of exchange?—There is no silver in that at all; that is merchandise, excluding silver.

1326. But you say you trace no connexion with the rate of exchange; the rate of exchange then would have had a different cause influencing it, would it not?—The rate of exchange before the closure of the mints, of course, depended entirely on the value of silver.

1327. So that the relation of it to exports or imports would have been less direct?—No, it acted through the rupee, of course, wherever it did act.

1328. In fact, you would say the same principle applied then and now, so far as one can trace the connexion?—Yes.

1329. In regarding the relation of Council bills to exports and imports, would you regard the Secretary of State as practically competing for bills against exports?—Competing with what?

1330. That is to say, that he indirectly is bidding for export bills?—Yes, of course, he is bidding for export bills.

1331. And in that way stimulates exports?—Yes; that is to say, he must, necessarily, because his bills are actually an order on India for the export produce sold here and the price realised. So that the more orders he sends to India, the more goods must be shipped from India.

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1332. And in the reverse way with regard to imports?—Yes.

1332a. The offering of his bills tends to check them?—Yes.

1333. And so, taking both imports and exports, affects the balance of trade?—Yes; his bills, of course, are imports really into India.

1334. They have that effect?—Yes.

1335. Do you view the effect of his offering more or less Council bills as bearing chiefly on prices in India or on exchange, or would you view the two together?—I think the principal effect would be on prices in India.

1336. It is in effect bidding for exports?—Yes.

1337. And if a stable exchange were attained, whatever it might be, the effect would still show itself in prices?—According to the quantity of Council bills.

1338. That is to say, it does not necessarily imply an alteration of exchange if prices are capable of variation?—Quite so.

1339. (*Chairman.*) Are not the Secretary of State's bills a mode of remittance? Does not a Secretary of State's bill mean that he is providing in India the rupees for which he receives gold in London? It is a banking operation?—He receives the gold in London, and then he gives an order on India for the equivalent in rupees there to the exporter of goods.

1340. But the preliminary operation is the sale in India to London of the goods which have to be paid for in rupees in India, and instead of rupees being sent out to India and then sent back to London there to be turned into gold, the Secretary of State is entering upon banking operations?—I do not quite follow that.

1341. It is a transaction for paying in India rupees in exchange for gold which is received in London?—Quite so.

1342. It is a banking facility?—This 17,000,000*l.* or 18,000,000*l.* only represents the surplus of exports over imports in India. For the rest of it Council bills do not come in at all. There is an equation between exports and imports, and then over and above that there is what is represented by the Council bills.

1343. Assuming that there was no Secretary of State, and no money to be remitted, India would still carry on an export trade?—But the export trade would either be reduced to the level of the import trade, or the import trade would be raised to the level of the export trade, or both things would happen; so that there would be an equation.

1344. I do not see that there is as between the Secretary of State and India a mercantile operation. The mercantile operation is between the man who sells in India and the man who buys in London. The Secretary of State comes in as a banker merely. Is that so or is it not?—I am quite prepared to assent to that, except that in working the equation as between imports and exports in India, assuming, for the moment, that you have an import of Rx. 100,000,000,

and that you have an export of Rx. 130,000,000, then, if you want to make the equation, you must get Rx. 30,000,000 on the other side of imports, and those Rx. 30,000,000 would represent the Secretary of State's Council bills.

1345. If it happened to be the amount which India owed?—Yes.

1346. (*Sir D. Barbour.*) The Secretary of State has to draw, say 17,000,000*l.* sterling, but the possibility of his drawing that 17,000,000*l.* sterling depends upon his inducing somebody to export 17,000,000*l.* worth of produce from India over and above what is sufficient to pay the ordinary mercantile charge against India?—Exactly; that is the position.

1347. It is a banking transaction, but, like all such banking transactions, it has got to be based upon merchandise?—That is about it.

1348. (*Mr. Le Marchant.*) Does the mercantile transaction tend to follow the banking operation, or the banking operation follow the mercantile transaction? I understood a suggestion to be made that the necessity for remittances of the Secretary of State did tend to increase the amount of exports, or diminish the amount of imports?—If the Secretary of State decides not to draw any further bills, say he reduces his bills by 10,000,000*l.*, exports would be reduced by 10,000,000*l.*; therefore, I think it follows that the mercantile transaction follows the Secretary of State's bills.

1349. (*Chairman.*) Suppose the Secretary of State drew nothing, and supposing that India was able to meet the payment of her debt, or the interest on her debt, say out of gold produced in India, that would not limit her other mercantile transactions?—No.

1350. Would the people who have got indigo and tea and jute to sell, sell as much as they could—as much as the world would take of them, totally irrespective of whether they owed the Secretary of State money or not?—But in that case the imports would be increased proportionately.

1351. Of course; but my point is this, that the trade of India *quâ* the trade of India has nothing to do with the Secretary of State at all. He is the banker. Supposing the Secretary of State were to transfer the whole of his operations to the Bank of England, it would not affect the trade of India?—But the whole amount of his Council bills has to be met from exports.

(*Sir Charles Crosthwaite.*) Suppose the debt due by India to England were wiped out altogether, India would go on exporting and importing just in the same way as the United States does.

(*Witness.*) The relative proportions of exports and imports would be altered, that is all.

1352. (*Chairman.*) But assuming that India became so prosperous a country that she paid off the whole of her debt and that nothing had to be sent to England except the expenses of government, which, of course, are a mere bagatelle, India would go on producing, and the world would go on buying?—Yes.

(Adjourned.)

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1353. (*Chairman.*) We will resume your evidence on two or three points, as some of the members of the Committee want a little further information from you. First of all, about the contraction of the currency. Do you consider that the contraction of the currency, in so far as the coining of rupees on the demand of the public has ceased since 1893, is as large as would seem by reference exclusively to the statistics of coinage?—Not nearly so large; in fact, I may say I doubt whether there has been any real contraction as yet.

1354. Are there any counteracting factors to be reckoned with which have had the effect of appreciably lessening the apparent extent of the contraction?—Yes. In the first place, the melting of rupees ceased

with the closure of the mints, and this use of rupees for the manufacture of ornaments certainly withdrew from circulation a very large proportion of coined rupees. In the next place it seems probable that some rupees were drawn out of hoards shortly after the closing of the mints, and no doubt a good many more have been drawn out of hoards during the course of the famine which lasted for over 12 months. So far as that went, the operation of contraction was counteracted; but it is also to be taken into consideration that, when the mints were closed, the currency was undoubtedly redundant, if we look both at the rate of discount which prevailed during that time and for some time after, and if we look also at the range of prices. It may be also pointed out

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that the imports of silver and the coinage of rupees just before the closure of the mints had been extremely large. The figures are these: From 1875-76 to 1884-85 we received into the mints Rx. 66,175,000; from 1885-86 to 1894-95 we received into the mints Rx. 77,933,000—a very large increase—an excess in the last ten years of Rx. 11½ millions. That amount seems to prove, with the rate of discount and with the circulation of notes of very large values, that the currency at the time was redundant. As regards the currency note circulation, it is certainly not conclusive evidence in itself, but still it bears on the point. The notes are of various denominations, the largest being 10,000 rupees. These large notes do not ordinarily go into circulation, but they are a rather favourite method in which to keep the reserves of the banks when they have anything like superfluous reserves. If we look at the circulation of these notes, starting from 1887-88, we begin with 2½ crores. Then in the next year, 1888-89, it was under 2 crores. In 1889-90 it was 1½ crores. Then the amount rose suddenly in 1890-91 to 7½ crores, falling in the next year to 5 crores 20 lakhs. Then it went to 5 crores 4 lakhs, and still further to 11 crores 96 lakhs—say 12 crores—in 1893-94; that is the year in which the mints were closed. Then it fell to 6½ crores, to 3½ crores, and to under 3; that was in 1896-97. It will thus be seen that until the closure of the mints there was an enormous increase in these notes, which do not go into circulation, but which are known to be notes in which banks keep their reserves. The maximum rate of discount—the bank rate—in 1890 was 12 per cent., in 1890-91 4 per cent., in 1891-92 the maximum rate was 5 per cent. In 1893, 7 per cent. In 1894 it began to go up again, rising to 10 per cent.; in 1895 it was 7 per cent. These rates lasted for a short period. In 1896 and 1897 the maximum rate was 10 per cent. In 1898 it rose again to 12 per cent. in April. I think in Bombay it went up afterwards to 13 per cent.

Then economies in the employment of currency have been in operation. The very large increase of railways has conducted greatly to increase the activity of the circulation, and the savings banks deposits have increased by about 1½ crores between 1892-93 and 1896-97, this sum consisting of rupees which, we may take it, if they had not been put into the savings banks, would have been kept in the waist-cloths of the people or in their houses. Also, there has been a very large increase in the use of money orders, cheques, and drafts.

1355. Then upon the whole you regard these various matters that you have mentioned as having appreciably lessened the apparent extent of the contraction of the currency?—On the whole I should think that the apparent contraction is not a real contraction—that, perhaps, there has been no contraction at all.

1356. Would a contraction of the currency be followed necessarily by a fall in prices?—Yes, if the contraction was not accompanied by a contraction of mercantile transactions, it must necessarily be accompanied by a fall in prices—not immediately perhaps, but certainly after a time.

1357. Has there been any such fall in the prices of commodities?—No, there has been no fall in the prices of commodities. Prices, on the contrary, have during recent years been maintained at an extraordinary high level. I shall show presently that there has been no contraction of the volume of trade, and if there has been no such contraction, there ought to be some tendency towards a fall in prices. Now take the retail prices of food grains in the interior anywhere. Let us take rice, for which there was in November 1894 a rate of 11½ seers per rupee. In November 1895 the rate was 15½; that is to say, prices were lower. In November 1896 the rate was 8 seers; and in November 1897, after the autumn harvest was reaped, the price had only fallen to 12½ seers per rupee. At the end of March 1898,

although another very good rice crop had been reaped meanwhile, the price was still only 12 seers.

1358. Would that be affected by the famine?—We have had good crops of rice and wheat and other grain since. The facts are similar with regard to wheat, barley, jawar, bajra, gram, and ragi. These are the staple food grains of India; and with regard to all of them, we find that while prices were very largely affected during the progress of the famine, and that they have begun to fall since the famine ceased, still, although there have been two good harvests since then, prices still range at a higher level than that at which they ranged before the famine began.

1359. Does that apply to any other commodities besides food grains?—It applies to all food commodities produced in India, because they all suffered more or less from the conditions of the seasons. I do not say it applies to imports.

1360. (Sir A. Dent.) Are these Calcutta prices?—They are the prices all over the country. In the different provinces in which these grains are consumed, Bengal, the Central Provinces, the Punjab, North-Western Provinces, Madras, Bombay, and so on.

1361. (Chairman.) You say, as I understand, as a general observation, that of all the commodities produced in India the prices have not fallen?—Prices have not fallen, at least not fallen in anything like the degree which would indicate anything approaching a sensible contraction of the currency.

1362. Now can you give me any information as to the nature and extent of the hoards of gold and silver in India?—It is not possible to give any statistical information on that point.

1363. Gold is not legal tender in India, is it?—No.

1364. I suppose all the metal that is imported into India is either absorbed into manufactures or is hoarded?—All the gold always has been so used.

1365. Since Lord Dalhousie demonetised gold in 1853?—I do not believe there is any gold hoarded either as bars or as coin, except in those very few hoards which are kept by some of the ruling princes. Ordinarily all the gold hoarded by the people is converted into ornaments and worn on the person.

1366. If gold were legal tender, do you think that that would tend to increase the absorption of the metal either in the arts or in hoards, or in both?—Gold is at the present moment, and always has been, the most marketable commodity in the country. If a man wanted gold the fact that gold was legal tender would make no difference whatever in that respect, and in the facility with which he could obtain it or dispose of it. It would also make no difference, as regards his desire to hoard, whether the coin was legal tender or not. If it should be assumed that because the gold was legal tender it would therefore be a temptation to him to take it for the purpose of adding to his hoards, that would imply that either his profits had increased suddenly and largely from some temporary cause, or that he was depriving himself of something else—cloth, copper pots and pans, or other articles of consumption—for the purpose of procuring gold ornaments. There is no reason why he should do anything of the kind.

1367. Do you know, as a fact, whether there was a scarcity of rupees in the markets of the interior during the last two years in the commercial centres?—All my information is that there was no scarcity at all. There was a scarcity of credit, but not of currency. Persons dealing with the exchange banks found it difficult to obtain money from the exchange banks because the exchange banks had not money to give them; but all those—and they were the large majority—who dealt in their own money, carried on their business without difficulty.

1368. Was the internal trade carried on as actively as before?—Quite as actively. In this connection I should like to bring before the Committee a letter I received the other day from Calcutta, from a friend of mine who is actively engaged in the export trade. He wrote to me: "Following up what we wrote about

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"money being so much cheaper in the bazaar than with the banks, I hear from Delhi that the same thing has been in operation there. The mills there used to go to the — Bank for finance, but that institution has been charging 8 per cent., so they went to the bazaar for their advances, and got them at 6 per cent."

1369. When was that?—The date of that letter is the 22nd June. All this time, while there was said to be a serious stringency in the money market, following a contraction of the currency, the internal trade was carried on with great activity and without difficulty as I will show presently when I come to the figures showing the extent of the internal trade.

1370. Is it the case that prices in Ceylon have remained unchanged during this period?—I have no direct information in regard to Ceylon, but all the labour employed in tea-gardens goes from Southern India.

1371. (Sir J. Muir.) All?—Yes.

1372. Is there no native labour in Ceylon?—None to speak of; the Cingalese will not work in the tea gardens, they prefer to work in their own fields, grow spices, cocoanuts, and other things, rather than as coolies for wages. There is some native labour, of course, but it is very small. The number of labourers going from Southern India to Ceylon was, in 1893-94, 32,830; in 1894-95, 45,004; and in 1895-96, 71,749. These people work the tea estates in Ceylon, and all the rice and other food that they eat is also imported from Southern India. In Southern India the wages of agricultural labourers have increased by about 20 per cent., a large part of the increase dating from about 1884. Between 1884 and 1886, I may say, is the period when all prices began to rise in India.

1373. (Chairman.) Is that such labour as labour upon tea estates and coffee estates?—Just that labour—agricultural labour. As regards the price of rice in Southern India, I may say I have been frequently referred to by officials in Southern India as to the reason for the great increase in the price of food grains there.

1374. The general effect of all that, and of any additional tables which you may put in here, is that there has been a rise of prices?—Yes; what I desire to say is, that as there has been a rise of prices of food grains and a rise in wages of agricultural labour in Southern India, and as both the food grains and the agricultural labour are obtained in Ceylon from Southern India it seems to me difficult to argue that the wages of labour in Ceylon have not risen. It has been suggested, I think, that the construction of the railway in Ceylon may have reduced the cost of transport to such a degree as to reduce the cost of food grains there, but just the same process has been going on in Southern India. During all this period we have been covering Southern India with a network of railways, and yet the price of food grains and of labour has been increasing. I should say it is reasonable to infer that the same process would have been going on in Ceylon.

1375. Can you furnish the Committee with any figures showing the agricultural capacity of India. Is there much land still available for the increased cultivation of exportable products?—Under the head of "culturable waste" the figures show that there are about 100,000,000 acres of culturable waste still left in India.

1376. That is over the whole of India?—Over the whole of India; it is land which has never been put under cultivation.

1377. But it could be put under cultivation?—Yes, and produce crops.

1378. What crops?—Any crops.

1379. Tea?—Not all or much of it would produce tea. The area from which crops are taken amounts to, say, 190,000,000 acres.

1380. The area which is already cultivated is 190,000,000 acres, and you consider that that could

be increased by another 100,000,000?—Yes, but there is also fallow land, say 40,000,000 acres which may be included in the figures. The cultivated area may, therefore, be taken at 230,000,000 acres, and you may add to that another 100,000,000 as land from which crops can be taken. Moreover, the area from which crops are now taken might be made much more productive by the increase of irrigation and better cultivation.

1381. Have you any figures to show what is the extent of the internal trade of India at present, and whether there is any likelihood of its expanding much beyond its present dimensions?—The question is, what is the internal trade? Internal trade, I take it, includes the quantity and value of every article that a man produces and passes on to another. That cannot be obtained either in India or any other country. In India we can record only that portion of the internal trade or exchanges which passes over certain routes. We have got the railway trade and the river trade—part of the latter at all events. Taking the trade carried by railway and river, or rather that part of it which is carried by railway and river from one province to another, and excluding that part of it which is carried to the sea-ports (which is mainly dependent on the extent of the foreign trade) the following figures show the extent of the trade:—

Quantity of goods carried by rail and river from one province to another, excluding goods carried to the ports:—

1891-92	-	-	131,911,000 maunds.
1892-93	-	-	130,451,000 "
1893-94	-	-	136,493,000 "
1894-95	-	-	159,781,000 "
1895-96	-	-	157,559,700 "
1896-97	-	-	167,065,640 "

The weight of merchandise carried to the ports in the same period was:—

1891-92	-	-	184,405,000 maunds.
1892-93	-	-	165,781,000 "
1893-94	-	-	174,672,000 "
1894-95	-	-	173,961,000 "
1895-96	-	-	185,199,700 "
1896-97	-	-	168,105,466 "

The figures for the first nine months of the year 1897-98 ending 31st December 1897 (the latest yet received) also show increased activity. Between provinces, excluding goods carried to the ports, the figures are for the first nine months: 1895, 115,701,738 maunds; 1896, 120,837,785 maunds; 1897, 129,556,095 maunds. The weight of goods carried to the ports also for the same periods was as follows: 1895, 138,788,881 maunds; 1896, 129,314,471 maunds; 1897, 139,318,764 maunds. The total weight carried by rail and river I take to be about 9,000,000 tons. Then the coasting trade, which has also proceeded actively, amounts to about 12½ million tons. There is also the trans-frontier trade, which, however, is small. We may take 22,000,000 tons to represent the dimensions of the internal trade, and that is susceptible of indefinite development.

1382. In fact as railways increase trade expands?—Yes. It has, in fact, become proverbial now in India that "railways make trade."

1383. And anyone who maintains that the construction of railways is antagonistic to the trade of India, would maintain a proposition from which you would dissent?—Absolutely and entirely, but I venture to think that we should construct them only in accordance with our means.

1384. That is another question. You mean that railways are very good and excellent things, but that we must not go too fast even with them?—Just so.

1385. Now have you anything to say about wages in the large commercial ports of India?—The wages in the commercial ports of India have risen very largely. The point I wanted to bring before the Committee in this connection was this. The statement has been made that though wages have risen in these

commercial ports they have not risen in the interior of the country. My information is not to that effect. Wages have risen in the interior of the country. Wherever there has been any industrial operation brought into existence, whether in Cawnpore or Delhi or anywhere, there wages have risen at once.

1386. To what extent?—Wages altogether, I make out, have risen to the extent of about 20 per cent.

1387. Do you mean wages of unskilled labour, or of skilled labour?—Skilled labour has risen 25 to 30 per cent, unskilled labour has also risen, but not so largely, and there are parts of the country where unskilled labour has hardly risen at all. One of these places was mentioned the other day, a place called Mirzapore. It was stated on the authority of Sir Alexander Wilson, that the wages in the lac factories at Mirzapore had not risen at all. Well, it is a very exceptional case. Mirzapore was at one time an important commercial centre and a highway of traffic for all sorts of goods, but there is now nothing left there in the way of commerce except some small lac factories—which are not factories as generally understood. In such a place wages may have remained on the old level, and not improved in the last 20 years, but that is quite an exceptional place, and against it you could put 50 or 100 places which are not exceptional, where wages have increased. In fact, it may be said that there has been a general increase practically everywhere.

1388. Where do you consider that the advantage of a fall of exchange goes?—It seems to me that the greater part of it must go to the middleman.

1389. Do you mean by that the merchants?—I mean the merchants mostly.

1390. You mean it does not go to the cultivator?—The advantage of a fall in exchange, so far as that is an advantage, is a merely temporary advantage which occurs during the course of a transaction between two countries. During the course of that transaction the cultivator has nothing to do with the goods; they are in the hands of the merchant. It is either the merchant in England or the merchant in India who gets the benefit from the fall of exchange occurring during the time the transaction is in progress.

1391. Is there any adjustment of prices following a fall of exchange?—The advantage of a fall of exchange is entirely temporary, because directly there is a fall of exchange prices are adjusted, and when these prices are adjusted the cultivator receives a smaller price; so that he has no advantage—at least nothing to speak of. He would get an advantage if there was a permanent stimulus, and a permanent increased demand for his goods; but as the advantage, whatever it is, is entirely temporary and merely lasts only through the course of the transaction it seems to me that the cultivator gets very little, if anything, out of it.

1392. Let us take a concrete case. Take tea, say, that a pound's worth of tea is sold in London at a gold price which in one case would produce 15 rupees and in another case would produce 18 rupees; there is a margin of 3 rupees in the £ who would that go to?—In that case the tea-planter is also the exporter. There is no middleman to deal with. At least I take

it generally that there is no middleman, and therefore the tea-planter and exporter would get the advantage if he had not sold his tea, if he were shipping his tea home, and exchange fell and prices did not fall at once before he had sold his tea.

1393. (Sir F. Mowatt.) You mean if prices fell between the time when he shipped his tea and the time he sold it?—Exactly.

1394. (Chairman.) I am not talking of exchange falling?—If exchange falls he gets the benefit.

1395. But suppose exchange is low when he makes his contract in London?—If he has made his contract and has sold his tea he gets nothing out of the fall of exchange. He cannot get anything; he has done with the business, he has sold his tea at a certain price. One of the factors in the result of a particular operation is the rate of exchange; if the tea had not been sold and exchange fell $\frac{1}{2}$ d. he would get the full benefit of the $\frac{1}{2}$ d., provided the price did not fall before he was able to sell.

1396. With regard to the export of wheat depending on the gold price, will you tell us has there been an increase in the price of wheat?—Taking the price of wheat in March 1873 to be represented by 100, the price has varied since as follows:—

1874	-	75	1886	-	80
1875	-	80	1887	-	89
1876	-	84	1888	-	86
1877	-	93	1889	-	95
1878	-	119	1890	-	84
1879	-	116	1891	-	87
1880	-	115	1892	-	103
1881	-	96	1893	-	93
1882	-	97	1894	-	80
1883	-	87	1895	-	82
1884	-	86	1896	-	81
1885	-	74	1897	-	152

These figures seem to show that, except in seasons of deficient harvest, there has been no large increase in the wholesale price of wheat at the place of export.

1397. We have had it before us in evidence that the closing of the mints has caused great dissatisfaction among the people of India. Have you anything to say about that?—The Government of India receive translations of all the important articles published in the native papers from week to week, and these are always closely examined, but we have never found any reference to anything like dissatisfaction as arising out of the closure of the mints. We have found that repeated efforts have been made from England to arouse such dissatisfaction and to generate some expression of discontent; but ever since 1893 there is really no reference to anything of the kind, except now and then, perhaps, in one or two Bengali papers, which wrote about the matter in a very ignorant manner. Speaking generally, there is absolutely no response to all the incitement to express discontent with the action of the Government of India in 1893. In fact, I may go so far as to say that it would be just as reasonable to assert that the present rebellion in China arises out of the depreciated currency there as to assert that there is any dissatisfaction in India arising out of the closure of the mints.

Adjourned.

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1398. (Chairman.) I now come to the question of illicit coinage. Since you were here with us before it has been stated that there is a large illicit coinage of rupees, amounting to a half per cent. of the circulation according to statements that have been made here. Then it is also stated that even in the Calcutta mint it is found impossible to detect these illicit rupees without the aid of the magnifying glass and assaying. Reference has also been made to the recent discovery of a large coinage of Furruckabad rupees at Bombay?—In my first examination, I put in a statement of the cases of illicit coinage that have been discovered, from which

it was clear that there was no increase in the average number of such cases. Close attention has been given by the Government of India since the closure of the mints to the apprehension of a large increase of illicit coinage, but no evidence whatever has been adduced that anything of the kind has been happening. All the facts point to great difficulty in the conduct of large illicit operations in India. To begin with there is in France, in England, in Germany, and in the United States, an enormous silver currency which is much more overrated than the rupee currency in India, but there seems to be no illicit coinage in those coun-

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tries. It is much more easy, however, in those countries to carry on illicit coinage without detection for a long period than it is in India. Consider the machinery required for the coinage of silver rupees on any large scale in India. The machinery cannot be made there. It must be imported, and is therefore subject to the risk of detection by the Custom House and confiscation. Assuming that it is successfully imported, its purchase at considerable cost must be followed by the further purchase of silver at more heavy cost. Then to carry on illicit coinage to any large extent there must be confederates, and at any moment the coiners are subject to the risk of detection. I do not know where are the capitalists in India who would thus risk their money with the additional risk of transportation to the Andamans for life. Capital is timid everywhere, but the native capitalist is particularly timid. As regards the case of the Furruckabad rupees in Bombay, I may say that this coinage has been going on at Bombay for a great many years. Ever since those rupees were removed from the currency silversmiths have been making them, as well as all sorts of uncurrent and foreign coins—Turkish coins, for instance. They are used for ornaments. In this particular case that has just occurred, the defence of the people who were charged with the offence was that they really did not know that the coinage was an offence; they said that these rupees are not money and they thought they had a right to coin them.

1399. They were coining them as ornaments?—They were coining them as ornaments.

1400. To what extent had it gone?—The newspapers say that there were about 60,000 rupees coined.

1401. Have the Government seized them?—Yes, I gather that they have been seized, together with the implements. As a matter of fact, I understand that these coins were cast, and that leads me to say that it is a simple matter to differentiate coin that has been coined in a machine where the milling is done by a collar, from coin which is cast, because in the latter there is the mark of the opening in the casting mould.

1402. Then, practically, on that point, you are not prepared to modify your opinion that there is no large illicit coining?—There is less danger of it in India than in any other country, and in other countries the danger is not considered serious. An alarm was raised, for instance, as to the coinage of Java guilders. As far as I have been able to learn, however, there was very slight foundation for the alarm, yet those coins are rated at the equivalent of 1s. 8d. as against our equivalent of 1s. 4d.

1403. Do you think that there is any danger of the displacement of British rupees by coins of the native States?—No, the idea underlying that impression is that bad coin drives out good coin, but the assumption is correct only if both coins serve the same purpose. Now, the native coin does not serve the same purpose as the British coin. The British coin in a native State is taken freely because it is good for all purposes inside the State and outside the State. The native coin outside native territory, when it comes into British territory, is no good for any purposes connected with the payment of revenue or payments into the post offices or telegraph offices, or to railways, municipalities, or district boards. It is a very restricted sphere indeed that the native coin fills outside native territory. I believe that instead of any displacement of our coin having taken place, our coin has largely displaced native coin in the native States. Two States, Bhopal and Kashmir, have abandoned their own coinage and substituted ours, and a third large State is on the point of doing the same. Moreover, the native States have been coining on but a small scale during the last three years. During the year that preceded the closing of the mints and the year of the closure, in 1892 and 1893, there was an excessive coinage in the native States. Since then the coinage has been comparatively small, and it appears from the statistics that a large proportion of that coinage, small as it is, is the re-coinage of old rupees of the native States. There is another point I should mention. With

the exception of the Hyderabad Railway, all the railways that run through native States require all payments for passenger and goods to be made in British rupees. It would seem therefore that there need be no fear of a displacement of British rupees.

1404. (Sir F. Mowatt.) May I ask whether the railway companies you mention find any difficulty in getting British rupees?—Never at any time.

1405. (Chairman.) Does India compete with the United States in cotton and wheat?—No. I have repeatedly had to explain in writing about the trade of India, that, both in cotton and wheat, what we do is chiefly to supplement the supply from the United States and other countries, not to compete with it. Let me take, first, the case of cotton. American cotton is a long stapled cotton adapted for the weaving of fine goods. Ours is coarser, suitable for stout yarn and coarse goods. A large quantity of Indian cotton was used in the Lancashire mills at one time, mainly for the purpose of manufacturing goods to be sent to us in India, because we were the largest consumers of that class of goods. Now the manufacture of such goods has been transferred to India, and the consequence is that practically none of our cotton is used in Lancashire. Some of our cotton comes to England, but it is mostly re-exported to be manufactured on the Continent. What they use in this country is the long stapled American cotton.

1406. You mean it would not be worth their while to alter their machinery to use with your short stapled cotton?—That is so. Our cotton, so far as it is sent to Europe, is destined for the Continent where it is used for the weaving of the coarse blouses and pantaloons of the working classes, for which goods the American cotton is not so economical or so well suited. The greater part of our cotton now goes to Asiatic countries, Japan being a very large consumer, that country making the same class of goods that we are making in India—coarse goods, for which American cotton would not be suitable. I do not say that no American cotton goes to Japan—a certain proportion does go, and if American cotton should be heavily reduced in price, it would probably come into effective competition with Indian cotton, but this is not yet the case.

1407. At all events you have another competitor now with reference to better class cotton, in Egypt?—Yes, and Brazilian cotton is rather good, too.

1408. Would you be prepared to maintain that a bounty on the export of articles like cotton from India would be desirable?—Not in the least.

1409. Now about wheat?—The case is much the same with regard to wheat as with regard to cotton. Our wheat is supplemental to and not competitive with United States or Russian wheat. When the United States or Russian crops are small and there is a scarcity in the European market, our wheat comes in, but, generally, our wheat is not much wanted. Although with a declining exchange we ought to find that the export has increased, according to the theories of some people, you will find that it has not increased, on the contrary, it has fallen off.

1410. That is not owing to the famine?—The famine only applies to last year, but I refer to the conditions of the wheat trade generally in past years. I have here a table of the exports of wheat from 1881 down to 1895–96, the year before the famine. Before the Suez Canal was opened in 1870 it was impossible for us to export wheat at all. After the Canal was opened and the export duty removed because it prevented trade, shipments were made on an increasing scale, but there was no really large trade until 1881, in which year indeed it may be said that the trade really began.

Since then the progress of the trade has been as follows:—

Three years ending 1883–84	-	18,321,474
„ 1886–87	-	19,718,197
„ 1889–90	-	14,982,491
„ 1892–93	-	19,865,791
„ 1895–96	-	9,682,418

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It is clear, therefore, that there has been no increase in the volume of the trade. The period ending in 1892-93 was one of considerable trade because it includes 1891-92, in which year there was a great deficiency in the European wheat harvest especially in Southern Russia, and the demand for Indian wheat was so exceptional that the exports in that year were the largest on record. Apart from an exceptional incident of that sort the trade keeps within small limits. In 1896-97 and 1897-98 the trade collapsed, as a result of a failure of crops and high range of prices in India. Since April the trade has revived with an abundant Indian harvest and a high range of prices in Europe and the United States.

1411. I suppose there is a very considerable increase of consumption of wheat in India?—I hope so. There is a large increase in population, and with increased prosperity a man prefers wheat to jawar and other inferior grain. I think that India has increased in prosperity, and, therefore, I hope there has been an increased consumption of wheat in India.

1412. Do you consider that a bounty on the export of wheat is desirable?—I do not.

1413. Is it the fact that the imports of Manchester goods into India increased as exchange fell in greater or less proportion than other imports?—I was surprised to hear the statement made before this Committee that the import of Manchester goods had largely increased as exchange fell. As a matter of fact, I have had to bring to notice very frequently in my annual review of the trade of India the fact that the import trade in Manchester goods has been practically stationary for a number of years. The principal imports of Manchester goods are what are called grey goods, that is, unbleached coarse goods. The figures, in millions of yards, starting with 1886-87, are as follows: 1,356; 1,180; 1,347; 1,257; 1,280; 1,173; 1,092; 1,314; 1,352; 1,066; 1,223. That is down to 1896-97.

1414. You think they have been practically stationary?—Considering that the population of India during these years increased by certainly 30,000,000, and that those additional 30,000,000 would require, on a most moderate estimate, 30,000,000 yards at least in a year, it may be said that the importation has fallen off.

1415. Of course, there has been a very large increase of production in India?—That is what has happened.

1416. Therefore, you do not admit that the import of Manchester goods into India has increased as exchange fell?—No, the statement is the direct opposite of the truth. Another way of looking at the facts is to take the figures of the last ten years in two periods of five years each. These stand thus: in the period ending in 1891-92 the imports were 1,274 million yards, and in the period ending with 1896-97, 1,271 million yards.

1417. That is, practically, very little difference?—Very little difference.

1418. It has been suggested to us that if the mints were re-opened the increased cost to the State of fulfilling its sterling obligations could be met from increased taxation. Will you give us your views as to this suggestion, and tell us what are the present sources of revenue derived from taxation; what is the yield from each; is the revenue elastic; could the rates be increased; to what extent; and with what result?—There is a preliminary remark to make on that proposition. In the first place, the Government of India has ever since 1882, when the last remissions of taxation were made, that is, for the last sixteen years, been busily engaged in imposing additional taxation. In a well-ordered administration, the public would call for some revision of taxation where the incidence did not fall fairly, or was made to fall too heavily, or where the taxation seemed unnecessary. The Government of India has not, however, been able to do that, its financial condition having been seriously affected by the constant decline in exchange. The next general observation that I would

make with regard to the proposal for the imposition of additional taxation is, that it is a singular thing to argue that trade is, or rather may perhaps in the future be, hampered in certain directions by the condition of the currency, and that it should be relieved, and then to propose, at the same time, that the restrictions should be re-imposed in the form of taxation all round, on the producer, on the consumer, on the importer, and on the exporter. As regards the elasticity of the revenue, I prepared, three or four years ago, for the Statistical Atlas of India, a diagram showing the way in which the proceeds of taxation have increased under the main heads: land revenue, salt, opium, excise, stamps, provincial rates, customs, assessed taxes (that is practically the income tax), and registration. If you look at that diagram you will see the lines run almost level; there has been little increase. There has been a certain amount of elasticity, as Sir David Barbour has had occasion to remark once or twice when he was in charge of the finances, but it is nothing as compared with what it is in England. (*For this diagram, see Appendix*). Now, to come to the particulars, the land revenue, as has been pointed out here before, can only be increased at distant periods. The returns from the land revenue have risen in 10 years, from 1888-89 to 1897-98, from Rx. 23,016,404 to Rx. 25,932,300; the rate of increase being 12.66 per cent., or an annual increase of 1.26 per cent. Assuming for a moment that it was possible to break through the settlements, and to largely increase the land revenue, it would mean the imposition of a tax on all production in India, for the purpose of relieving from a tax, whether real or imaginary, that small fraction of the production which is exported from India.

1419. Taking the revenue now at 26 crores, I suppose you think it is hardly possible that that 26 crores could be turned into 38 crores?—No. How would it be possible for anyone responsible for the administration of India to propose such an addition as that to the land revenue. To obtain even such a small sum as 2½ crores would mean an immediate addition of 10 per cent. to the whole present taxation of the land.

1420. Then, with regard to the opium duty?—The opium revenue comes a long way after the land revenue. The revenue has been declining for a great many years.

1421. In 1886 it was six crores and it is now four crores?—Yes. To impose an additional tax on an already declining revenue is, I think, a proposition that does not require much argument to condemn it. There is nothing to expect from the opium revenue.

1422. You give us no hope, then?—No; the imposition of heavier taxation upon opium would inevitably result in the more speedy extinction of a source of revenue which is doomed to eventual extinction already.

1423. Would a high rate of exchange affect the opium export?—I have little doubt that a high rate of exchange must have some effect in accelerating the inevitable doom of the opium revenue. The Chinese have been for many years cultivating opium for the purpose of replacing our opium. They have not yet made the quality that we give them, but they will probably produce it in course of time. When they do they will reject our opium.

1424. The first two items, land revenue and opium, are really not taxation in the ordinary sense. Now, we come to what is really taxation, namely, salt, stamps, excise, customs, and so on?—The salt revenue has increased from Rx. 7,675,634 (taking the same period that I took for the land revenue) to Rx. 8,625,000. That is an increase of 12.4 per cent., or an annual increase of 1.24 per cent., just about the same as the land revenue. The rate of duty was increased from two rupees to two rupees eight annas in 1888. The point I would like to bring before the Committee in regard to the salt revenue is that it has the disadvantage which attends all indirect taxation that what the Government receives from the man who

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consumes the salt is not the whole amount of what is charged to him, for the dealer who first pays the duty recovers his money and an addition to it from the consumer. The Government has the power of raising the tax by notification to any sum up to three rupees. It is now two rupees eight annas. If this were raised by eight annas, the Government would be deprived of a useful financial reserve which ought to be maintained against an emergency. Further, although it has been argued that the incidence of the tax on the individual consumer is small, it should be considered that, independent of the individual consumer for edible purposes, salt is a useful article in India for cattle, for manurial purposes, and for industrial purposes. So that although we could get a larger revenue, no doubt, by an increase in the salt tax to, say, three rupees, I think the increase would be unwise and injudicious, whether from the point of view of the people or from the point of view of the Government.

1425. If you increase the tax up to three rupees, what addition would that make?—An addition of 8 annas would bring in about $1\frac{1}{2}$ crores.

1426. Then you would not get 12 crores out of that?—Nothing like it; and the first effect would be a restriction of consumption; the dealers would withhold purchases until they could work off all their stocks.

1427. In fact, if any Indian Finance Minister or any Secretary of State for India at home could see his way to a very large reduction of the salt tax, do not you think it would be a very great boon to the people of India?—It would be a very great boon if it could be reduced to a rate of one rupee.

1428. What have you to say with regard to stamps?—The revenue from stamps has increased from Rx. 3,922,088 to Rx. 4,806,200, an increase of about 22·4 per cent. or, say, 2·24 per cent. annually. The great bulk of this revenue comes from fees taken from litigants—from court fees as we call them. It is a tax upon litigation. Many complaints have been made of the heavy incidence of the tax. Some people say that a heavy tax prevents unnecessary litigation; but there are many poor people to whom the tax practically amounts to a denial of justice.

1429. (Sir D. Barbour.) Do the court fees about meet the total cost of the civil judicial establishments?—No, they do not.

1430. Pretty nearly?—They vary in the different Provinces. In Bengal they more than meet the cost; in other Provinces they do not.

1431. But there is not a great difference?—I do not think the difference is large. Then, besides the judicial stamps, there are non-judicial stamps—revenue stamps. Everyone is agreed, I think, that this form of stamp duty is perhaps too high already, and that there is really no opening for charging higher rates.

1432. (Chairman.) Then the excise?—The revenue from excise has increased from Rx. 4,652,616 to Rx. 5,507,300; that is an increase of 18·3 per cent. or, say, 1·83 per cent. annually. This excise revenue has been the subject of great controversy, both on this side and in India. The increase is not due, as many of the agitators have put it, to an increase of drunkenness in India. All that has been in their power has been done by the local governments and the Imperial Government to raise the rate of duty, from time to time, as high as it could be raised without stimulating the increase of the consumption of illicit liquor, which can be made very easily in many parts of India.

1433. Practically, the Government has always exercised control over the excise just as it does here?—Yes; the increase is mainly due to improved administration and the endeavour to raise the rates as high as they can be raised without encouraging illicit distillation.

1434. I believe it is the case, as regards excise revenue, that the Government has the power of raising the tax, and, in many instances, they do raise it?—Yes, as in the case of salt.

1435. But much more largely in the case of excise?—Much more largely.

1436. Then with regard to provincial rates?—Provincial rates are mainly, if not exclusively, levied on the land. They are at present appropriated for provincial and local purposes, for roads, light, police, and so on. If we were to increase them, we could not do so without assigning them to those purposes. They could not be appropriated to general purposes, as for instance, to paying the cost of currency arrangements.

1437. They are practically not a source of Imperial revenue?—No, they may be left out of account altogether.

1438. Now, with regard to customs?—There is now a general rate of duty of 5 per cent.; it used to be 10 per cent. until 1863, when, as it was found to prohibit trade, it was reduced to $7\frac{1}{2}$ per cent. It was found that that rate also restricted trade, and it was reduced to 5 per cent. The duties were abolished entirely in 1882, only a few special articles remaining in the tariff. In 1894 they were re-imposed, but it was necessary to exempt cotton goods, because Manchester objected to a tax on those goods. After much controversy a lower rate ($3\frac{1}{2}$ per cent.) was imposed on cotton goods than the 5 per cent. which was the general rate.

1439. I suppose, in case of necessity, the import duties could be increased, and would bring in a considerable amount of revenue?—In 1895–96 the import duties amounted to 3·79 millions Rx.; in 1896–97 they were 3·5 millions Rx. There was a decline in 1896–97, because of the exemption of yarns, and the reduction of the rate on cotton goods, of which I spoke. Assuming that we could not increase the duty on cotton goods, and could not tax cotton yarn, we have an import duty of $3\frac{1}{2}$ crores at 5 per cent. for most articles, at 1 per cent. for iron and steel, which latter rate, I suppose, could not be increased. Suppose you doubled the rate of duty, and put on a tax of 10 per cent., it would not follow that the revenue would be doubled. The increased duty would operate as an effective protective duty, for in a great many cases the articles imported are articles which can be made and would, with protection, be made in India.

1440. (Sir J. Muir.) Cannot iron and steel be made in India?—Steel has not been tried yet; iron is made. There are people who say that the climate is against the operations connected with the making of steel, such as puddling, and so on. However that may be, it is certain that no attempt has been made as yet to make wrought iron; the owners of the iron-works confine themselves to cast iron.

1441. (Chairman.) Do you think the additional revenue would come to three crores, if the rate were doubled?—No. You would have to leave out of consideration the specific liquor duties, that is about half a crore to be taken off; you cannot increase those without raising the excise duties; otherwise it would be a case of protection, and you would lose revenue instead of gaining it. Then there are also the duties on arms to be excluded. I do not think you would get more than two crores as the result of doubling the duty, if you would get so much, for I think in a short time the imposition of a 10 per cent. duty would be sufficient to encourage the manufacture in India of the articles so taxed.

1442. (Sir J. Muir.) Which is most desirable?—It is most desirable, if it can be done without the community generally paying a bonus to those who produce the articles.

1443. (Sir D. Barbour.) If, simultaneously with the increased taxation the mints were opened to silver, and the exchange went to 1s., there would be a rise in the rupee value of the imports which would give you some additional revenue?—Yes, possibly, though imports have not hitherto risen in price with a declining exchange.

1444. (Sir A. Dent.) Would there be any difficulty in collecting a great part of these customs in gold?—

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There would not be a difficulty, I think, if the payment of gold were limited to sums above a certain limit, say, to sums of 50 rupees and upwards; but if it were attempted to levy the duties in gold on sums paid in small amounts—and there is an enormous number of customs entries in which the duty varies from 8 annas to 10 rupees—that would be very difficult and very oppressive in operation. Further, there is also a considerable sum paid upon parcels imported by post which are delivered throughout the country in places where gold could not be obtained, and the addressees in such cases could not be asked to pay in gold or in anything but the coin current in the place.

1445. They might be asked to pay it in the coin current at the place, but at a rate which would enable you to buy the gold?—That would be an augmentation of the duty.

1446. But if exchange is 1s. 3d., and you say duties must be paid at the rate of 1s. 4d., there would be no very excessive augmentation of the duty?—It would be between 6 and 7 per cent.

1447. (Sir D. Barbour.) What do you wish to state regarding the income tax?—The income tax has increased from Rx. 1,493,350 to Rx. 1,889,000; that is an increase of about 26·5 per cent., or, say, 2·65 per cent. annually. The income tax was begun in 1886, and was at first assessed in a rough and ready way. With a gradual improvement in the administration of the tax we have been able to bring more people into the meshes of the net. But there is a preliminary objection to the increase of the income tax. The minimum limit now is an income of 500 rupees a year, which is equivalent to about 32l. a year. Even in India, a country of small incomes, that income is an extremely low one for taxation under the income tax, and there have been frequent complaints about it. If ever we could raise the rate, we ought first to raise the limit of exemption. If we raise the limit of exemption, say, to 1,000 rupees a year, we should have to dispense with something like 35 lakhs out of the present total, that is to say, we should have to dispense with something like one-fifth.

1448. (Sir J. Muir.) Why not continue the tax at that minimum, and make the advanced rate begin upon higher incomes?—You could do that.

1449. (Sir D. Barbour.) What is the present rate?—Three pie and four pie in the rupee. It comes to about 2 per cent. and 2½ per cent.; equal to about 6d. in the £.

1450. The income tax does not fall on incomes derived from the land?—It does not apply to agricultural incomes, because we take it that agricultural incomes are already taxed.

1451. An income tax of roughly 6d. in the £, taking the minimum income at about 32l., produces about 1,200,000l. from the large population of India?—Yes. The number of assesses, as compared with the population, is very small.

1452. If it were applied to the land, would it bring in very much more?—It would be largely increased then.

1453. Have you looked at all into the figures of the former income tax to see how much came from the land?—No, I have not.

1454. Do you bear in mind that most of the people who cultivate land have got incomes that would bring them below the minimum?—That is perfectly true; it is a point I had not considered. No doubt the aggregate of the land revenue is built up of very small items, and in assessing for income tax you would have to omit a great deal.

1455. My recollection is that an income tax on incomes from land would bring in much less than you think. Then what do you say as to registration?—Registration may properly be considered more as in the nature of a fee for services rendered than in the nature of a tax; pretty nearly every instrument that is registered, whether compulsorily or voluntarily,

has to pay the stamp duty, and if you wanted to increase this particular tax, it would practically mean taxing each instrument twice over. The registration fees now amount to only Rx. 250,000., and I doubt whether you could get any material increase.

1456. Does that exhaust what you have to say about the existing sources of taxation?—Yes.

1457. It has been suggested that there should be an export duty levied on jute, accompanied by an excise duty on manufactured jute. What do you think of that proposal?—The value of exported jute comes to about Rx. 10,000,000, and if we wanted to get a revenue of Rx. 1,000,000, we should have to impose an export duty of 10 per cent. Of course, that must be accompanied by an excise duty on manufactured goods, otherwise the tax would operate simply and entirely as a protective duty in favour of the jute mills of Calcutta against the jute mills of Dundee, and, I take it, it would be impossible to levy such a duty, even if it were otherwise unobjectionable.

1458. (Sir J. Muir.) Why?—Well, I object to excise duties generally; economically, they are indefensible, and although in the case of jute it may be said that it is less indefensible than in the case of other articles, because jute may be regarded as a monopoly, I confess I have little faith in the existence of monopolies if you weight them with taxation which brings the cost of the article up to such a point that it would stimulate the substitution of another article. I should be sorry to see the place of jute taken by other fibres or by hemp, or anything else from other countries. That is a danger which, I think, nobody in India would be inclined to face.

1459. Our firm happen to be very much interested in jute, we have two mills in Calcutta. I must say I see no objection whatever to an excise duty on our mills in Calcutta and an export on the jute sent out to India. We all know that jute is practically only grown in India, and I think it can stand a 10 per cent. duty easily?—We have been told that it is capable of being produced in Siam to any extent, and that they are about to try it. However, let us assume that an excise duty is levied on the manufactured article. I suppose that when the manufactured article is exported a drawback would be given on that excise duty. I think that very nearly, if not practically the whole, of the gunny bags and gunny cloths that we make in India are sent out of the country, either as packing for exported grain, seeds, cotton, or other goods, or empty to be used for packing in other countries. Would there not have to be a drawback on these? If so, then the excise duty is only illusory, and the export duty on raw jute is an effective protection of the Calcutta jute mills as against Dundee. I have no doubt the Dundee gentlemen will appreciate the position, and tell us that the thing is inadmissible.

1460. (Sir D. Barbour.) What do you say about the levy of an export duty on shellac?—Shellac is a quite unimportant article. The value of the exports recently amounts to about one crore of rupees; but it is a very speculative article, the price of which varies greatly, and the value on the average does not exceed Rx. 700,000 or Rx. 800,000. A duty upon that of any amount that could be thought reasonable would certainly yield nothing of any consequence. If it was levied at a substantial rate, I think the result would be that you would obtain no revenue but would lose the manufacturing industry in India. The manufacture of lac is a very simple matter, and instead of making the stick lac, as it is called, into shellac in India, the stick lac would be exported to some other place where it would be converted into shellac, and then exported to the places to which we now export it. That is to say, we should get no revenue at all and should lose a small manufacturing industry which we now possess.

1461. Do you know of any new sources of taxation that could be tapped?—As you know yourself, Sir, the

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Government of India have very carefully considered that question for the last 25 years. At various times the possibility of raising revenue from succession duties, a tobacco tax, a sugar tax, and other imposts has been considered, but all such proposals have been rejected as impracticable. The incidence of such taxes would be unequal and oppressive, and the levy most difficult. I do not know of any new taxes that could be imposed without causing trouble and discontent greatly out of proportion to the revenue obtained.

1462. A good deal has been said of the competition between India and silver-using countries. Will you state what are the articles in which competition exists, and what are the countries with which that competition is carried on?—The silver-using countries are Mexico, China, the Straits, Persia, and Arabia. I do not include Brazil and the Argentine Republic in the category of silver-using countries, because they have neither gold nor silver, they are on forced paper. If we exclude them the competition practically reduces itself to the competition of China with our Indian tea. If you include them, then we have the competition of Brazil and the Argentine Republic also with our wheat and our coffee.

1463. So that the competition with silver-using countries resolves itself into competition with China in regard to tea?—Yes.

1464. (*Sir A. Dent.*) What about cocoanuts, copra, and those things?—I do not think that they are of the slightest importance.

1465. The trade is of importance to Ceylon, is it not?—It is of importance to Ceylon, but not to the Indian export trade. In Ceylon there are but two or three staple exports, tea, and the products of the cocoanut, copra and oil. The extent of the cocoanut industry in India is extremely small; so small that we, in fact, import some. I am considering this question from the point of view of the competition of other silver-using countries with India, not with Ceylon.

1466. (*Sir D. Barbour.*) You think competition is practically limited to tea only?—As far as India is concerned; but I should mention, with regard to Persia, that there is a competition in opium, which has been going on for a great many years. It is the competition of Persian opium with Malwa opium in China.

1467. It has been said that under a gold standard the prices of Indian products must fall. What do you say to that?—It is partly a question of argument and partly a question of fact. All I wish to say about it is this: the prices of Indian produce may fall under a gold standard, but they have fallen under the silver standard. On the assumption which underlies the opposition to the closure of the mints, the fall in prices would probably be extremely accentuated if the silver standard were maintained, because it is argued that a silver standard tends to stimulate production. If it does so, there must be a fall in prices; so that, whichever way you take it, whether we have the gold standard or the silver standard, there is practically no difference between the two in regard to the course of gold prices for the products which we export to gold countries.

1468. What is the relative importance of the chief articles of the Indian export trade?—The first on the list is grain and pulse, rice being the most important, and wheat coming some way after. Rice would represent a value of from 12 to 13 crores, while wheat would represent a value—before the famine began—of from five to six crores, say, about half the value of the rice. Following on grain and pulse, the next is raw cotton. Next comes raw jute. Then cotton yarn and cloth. Following that are opium and seeds—seeds being of more importance than opium, ordinarily. Then hides and skins; then tea. Tea comes a rather long way down, about 8th or 9th on the list. Tea

represents a value of about eight crores of rupees; grain and pulse a value of between 17 and 18 crores; cotton is about 14 crores; jute about 10 or 10½ crores; cotton yarn and cloth about 8½ crores; opium about eight crores; seeds between 9 and 12 crores; but more than that, in fact, 14 crores in ordinary periods; hides and skins, about seven crores.

1469. So that the tea export trade is of great importance, but not in the first rank?—The tea trade is of importance, distinctly, and I should be sorry to seem to attempt to minimise its importance.

1470. Is the coffee trade of any importance?—Not of any particular importance; it has ranged from two crores down to 1½ crores.

1471. And cinchona?—Cinchona is quite insignificant; indeed it is not really an article of export at all now.

1472. Then pepper?—Pepper stands very low down in the list—lowest of all, I think; it represents about 30 lakhs.

1473. What have been the relative imports of gold and silver in the last 10 years?—There have been just under 3,000,000 ounces of gold imported net in the last 10 years.

1474. That is the aggregate?—Yes, just under 3,000,000 ounces, representing, you may say, something under 12,000,000 sterling in the ten years. Then silver, 379,000,000 ounces, in the same period. In quantity the proportion of silver to gold is about 126 to 1. The value of the gold is 18 crores, and of silver 97 crores, so that the people have paid about five or six times as much for silver as they have for gold.

1475. These are the net imports?—The net imports. The people have had just the same opportunities for importing gold and using it during the last 10 or 20 years as they have had for importing silver, or as they would have if gold were made legal tender. If they have not been taking more gold than they have done there seems to be no reason whatever, considering the conditions of gold as merchandise, why the making of gold legal tender should make them take more than they have been doing.

1476. Assuming that the existing currency regulations in India continued unaltered for any considerable period, what effect would be likely to be produced on the monetary circulation, rates of discount, and prices?—The existing currency regulations are really no regulations at all. The mints have been closed to silver and not opened to gold. We are in a period of transition from one standard to the other, and during this period no addition has been made to the currency. It is doubtful whether there has been any real contraction of the currency yet, but if the present arrangements continue unaltered for any considerable period, there must certainly be a contraction of the currency; and assuming that there is no corresponding contraction in trade, then the rates of discount will rise, and prices must fall; with a result that must be disastrous to trade. The inference is that the sooner we pass from our present state of transition the better it will be for trade as well as for the Government.

1477. But those results would not follow if gold were being brought to the mint to be exchanged for rupees under the existing regulations?—No, I am assuming that in the period of transition gold would not be brought to the mint.

1478. Under those circumstances you think the result would be likely to be disadvantageous to trade?—Yes.

1479. Can you tell us how the financial position of India has stood since 1875, and whether, on the whole, her revenue has exceeded her expenditure?—I have prepared a statement of the surpluses and deficits of those years, which I put in. It is as follows:—

Year.	Surplus.	Deficit.
	Rx.	Rx.
1873-74 - -	—	1,807,668
1874-75 - -	319,197	—
1875-76 - -	1,589,255	—
1876-77 - -	—	2,584,176
1877-78 - -	—	4,262,040
1878-79 - -	2,134,098	—
1879-80 - -	—	1,227,893
1880-81 - -	—	3,631,394
1881-82 - -	3,595,451	—
1882-83 - -	674,837	—
1883-84 - -	1,879,477	—
1884-85 - -	—	386,446
1885-86 - -	—	2,801,726
1886-87 - -	178,427	—
1887-88 - -	—	2,028,832
1888-89 - -	37,018	—
1889-90 - -	2,612,033	—
1890-91 - -	3,688,171	—
1891-92 - -	467,535	—
1892-93 - -	—	833,412
1893-94 - -	—	1,546,998
1894-95 - -	693,110	—
1895-96 - -	1,533,998	—
1896-97 - -	—	1,703,022
1897-98 - -	—	5,283,100
1898-99 - -	891,400	—

These figures show that in the 20 years ending with 1892-93, that is ending in March 1893, just before the closure of the mints, there was an aggregate surplus of Rx. 17,175,499, and an aggregate deficit of Rx. 19,573,587, the net deficit in that period amounting to Rx. 2,398,088. That was the result of 20 years' finance, during a time when India is supposed to have been extremely prosperous under a continually declining rupee. Until 1885 the financial condition was fairly good, the main disturbance resulting from war and famine, the decline in exchange, though a source of anxiety, not having been so heavy as to be the material factor which it became in 1884. So favourable, indeed, were the conditions after the country had recovered from the great famine of 1877-79 and the war with Afghanistan which accompanied and succeeded it, that the Government were able to effect reductions and remissions of

taxation in 1882. But the taxation remitted then has all been re-imposed since, and new taxation added. In 1885 exchange fell heavily, and the fall was accompanied by the fear of a conflict with Russia and followed by the annexation of Upper Burma. As a consequence, although new taxation was imposed in 1886 (the income tax), the expenditure largely exceeded the revenue, and further resort to taxation in 1888 became necessary. Equilibrium was then restored, but so great was the uncertainty of the financial condition that the Finance Minister of the time did not venture to apply the surplus which occurred in the years from 1888 to 1891 to re-adjust fiscal burthens, and it was applied to purposes which would ordinarily have been served by borrowed capital. Deficits followed which again, in 1894, necessitated the resort to further taxation, and surpluses were thus ensured for two years. Then followed two years of famine, accompanied by war and pestilence, with the accompaniment of deficits. But a surplus is estimated for in 1898-99, the present year. In the whole period of 26 years the net deficit amounts to Rx. 5,414,612.

1480. You have taken the deficits from the published accounts. I suppose?—Yes.

1481. You have not attempted any adjustment based on the consideration that the accounts might have been framed in a different way?—No, I have taken them as they stand on the face of the accounts.

1482. During those 26 years has the Government of India, year by year, remitted to this country the full amount necessary to meet its ordinary liabilities, or has it met those liabilities, to a certain extent, by borrowing in London?—It has had to do so.

1483. In so far as it has done so, would you admit that that borrowing has affected the rate of exchange?—Yes.

1484. To a greater or less extent?—Yes.

1485. If, then, it had remitted the full amount to England every year, the rate of exchange would have been lower, and the deficits would have been larger, and the surpluses would have been less than those actually shown in the accounts?—I think that is likely,

The Witness withdrew.

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1486. (*Sir F. Mowatt.*) We have had some rather conflicting evidence as to whether wages, speaking generally, in India have risen during the last 10 or 15 years. The Government of India, I suppose, is an extensive employer of labour of one sort and another?—A very large employer.

1487. And this labour is, I suppose, of different classes; that is from mere unskilled labour up to higher and more skilled labour?—Yes.

1488. Before I ask you my main question, I presume the rates which the Government pay are as nearly as possible based upon the rates which it finds paid in the open market. I am aware that Governments are usually bound to pay their servants at a little higher rate than other people?—The market rate only applies, I think, to unskilled labour—coolies, and to artizan labour as on the State railways; but in clerical and higher employment, I do not know that the market rate comes in at all.

1489. Could you give us an opinion as to whether wages have progressed or have been stationary in the last 10 or 15 years?—The record of wages is for very varying periods. In some cases we have the figures from 1873, but in other cases from a very much more recent period. For agricultural and some other classes of labour we have records since 1873. For the postal department we have figures since 1855, and for some other departments from 1866 and 1870. For industrial establishments, other than those of the State, I have records which begin, most of them, at a much later period. Taking them all round, I should

say wages have increased in rather less proportion than prices.

1490. I will ask you similar questions presently about prices, but, perhaps, it will be convenient if you give us an idea of the percentage of the rise of wages for any period which you like to fix as applicable to all your tables; shall we say 1880?—I will put in a comparative table.

1491. Has the increase which you have indicated taken place in any particular class of labour, or should you say it was general?—The largest and most rapid increase has been, as might be expected, in skilled labour—labour used in the large industrial establishments that have been created in recent years—railways, cotton mills, jute and other mills and factories; but unskilled labour also has increased.

1492. That being so, I will just ask you this: Taking the classes whose wages your last answer has touched, and considering the prices paid by those classes for the ordinary necessities of life, what change should you say has taken place with regard to them?—There has been a greater increase in prices than in wages. You will see at a glance how the level of prices has risen from certain diagrams I prepared a few years ago for the Statistical Atlas of India.

1493. What was it, in your opinion, in 1885, which started the rise—what special circumstances do you think occurred then?—That is a difficult question to answer. Some say that the depreciation of silver was the cause. I would not venture to say that. I can only say that coincident with the rise in prices there

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was a depreciation of silver and the rupee. Whether the two things stood in the relation of cause and effect I am not prepared to say.

1494. The prices in this diagram relate to food grains?—Yes, the diagram shows the retail prices through the country of all the staple food grains.

1495. Does the same thing, or anything like it, apply to clothing?—No, not to anything like that degree. In fact, you may say that the people buy their clothing at a lower price; the fall in gold prices has been such that there has been no increase, but rather a fall, in the price of their clothing. The staple cotton manufacture imported is what is called grey shirtings. Grey shirtings were, in March 1873, quoted at a price equivalent, say, to 100. In July 1897 the price was 69. You may say that the rupee price of grey shirtings in India has fallen from 25 to 30 per cent.

1496. I assume that the proportion of their wages which is spent in food is very considerably more than the proportion that is spent in clothes?—Very much more, indeed.

1497. May we take it that their food and clothes will represent the main expenditure of the labourer in India?—Yes.

1498. There is no other particular heading of expenditure which occurs to you which would illustrate the change in their position?—No. Of course there are other articles on which the labourer spends money, such as salt, firewood, pots and pans; but they are all of small importance as compared with food and clothing.

1499. There is nothing in the range of prices of those articles which would materially affect the position of the labourer?—No.

1500. Do you think, taken as a whole, the railway earnings pay the interest on the capital expended on them?—They do not, but that is largely due to the high rate of exchange at which the guaranteed interest is paid in one or two cases.

1501. (Sir J. Muir.) Of course you are aware that there is a great deal of diversity of opinion in India regarding the policy of the Government of India in closing the mints in 1893. Now we have glanced at the question as to how income might be raised, and among other things it has been suggested that there should be an export duty of, say, 10 per cent., or whatever might be agreed upon, placed upon jute, and at the same time an excise duty upon the jute mills producing the jute goods, so that Dundee might not be able to complain. Do you see any objection to that?—I think it is a most objectionable proceeding. The excise duty would certainly, I think, judging from the the experience gained in connection with the excise duty now levied on cotton goods, be regarded by mill owners as most objectionable.

1502. Suppose you turned out to be wrong, and that the mill owners were quite agreeable. For instance, I am a mill owner owning two mills in Calcutta, and I am agreeable. Suppose it turned out that the majority of the millowners held with me that there was no objection to it?—Do you propose to levy an excise duty on the manufactured article?

1503. Yes?—If you levy an excise duty on the manufactured article then Dundee would be favoured as against Bengal, because in the one case the duty would apply not only to the raw material but also to the labour expended in its manufacture; whereas Dundee would only be taxed on the raw material.

1504. That could be adjusted?—I do not see how the adjustment could be made.

1505. I think that could easily be done if one wished to find an equitable solution. Now you spoke, the last time you gave evidence, about a drawback being given?—I should think there must be a drawback on exported jute manufactures, or else we should be weighting our goods with a tax in all foreign countries.

1506. You mean a drawback against goods shipped to what place?—All over the world; our goods are

shipped universally—to America, Australia, Europe, Asia—to all countries.

1507. If you did that would it not be acting unjustly to Dundee?—Yes; that is where one of the objections comes in.

1508. Why should you have a drawback at all; why should you give the Calcutta mills a drawback?—It would be possible to make what you call an equitable adjustment, but the only way would be to tax the raw material, whether it was exported or sent to the mills. If each bale of raw jute is taxed, whether exported or brought into a mill for manufacture, that would be an equitable arrangement; but the principle of taxing raw material which is used for manufacture, is economically most objectionable.

1509. Is not an excise duty levied in the case of the cotton mills in Bombay?—Yes, and it raised a most acrimonious discussion. It is also regarded as protective of the handloom industry, which is still largely carried on in India, and this industry is regarded as now protected to the extent of $3\frac{1}{2}$ per cent. against the mills.

1510. (Chairman.) Seven million people depend for their existence on the handloom industry?—Yes, it is an extensive industry.

1511. (Sir J. Muir.) Is it an advantage to them or a disadvantage?—To the handloom weaver, of course, it is an advantage. He has protection as against the mills.

1512. Then the thing is possible; it can be done?—Everything is possible, if you choose to run risks.

1513. A 10 per cent. duty on jute and an excise duty on the production of the jute mills is quite possible?—No doubt, but then comes in another question. There is a jute mill in Chandernagore, near Calcutta. It was said to have been started for the express purpose of avoiding British taxation, but this the owners deny. The Government was asked to impose a duty on the manufactures of this mill when they left Chandernagore and entered British territory, because there is an import duty on jute goods entering India from foreign countries.

1514. And what have you done?—Nothing.

1515. Why?—Because we did not think it worth while to do anything.

1516. Why not?—For the reason that the goods enter British territory only to leave it.

1517. Not the whole of them?—The greater part.

1518. Over a small portion?—We should have had to establish a customs line outside Chandernagore to intercept the goods, with the result that we might collect 100 rupees, and have to refund, perhaps, 85 rupees out of the 100 in a day or two.

1519. I suppose you are aware that that has not been a very successful mill?—I do not know about that, but I should think an export duty on raw jute and an excise duty on mills in British territory might be sufficient inducement to make others commence work in the same place.

1520. It is a great many years now since that mill started, and there has been no copying of it?—Not yet; the advantages are, perhaps, not sufficiently great, but conditions might be different if there were an excise duty.

1521. Then, in your examination, I did not quite understand what you said to the Chairman, but I think you said that 2 rupees 8 annas was the rate at present for the salt tax?—In most parts of India.

1522. And that could be raised to 3 rupees?—It could be raised to that extent by a notification of the Government.

1523. Now, what salt is imported into India; what are the sources of supply?—There are three main sources of supply: (1) salt is imported, principally from Cheshire—from Liverpool, also from Germany, and from other places; (2) it is made on great part of the Indian coast from sea water; and (3) it is obtained from Sambhar lake and from other salt sources in Rajputana, and from certain mines in the Punjab, whence rock salt is quarried.

1524. We have been told in the course of the evidence that the salt tax, per head of the natives,

only amounts to about 4*d.* per annum?—It may be about that.

1525. (*Sir D. Barbour.*) That is the tax?—That is the tax levied.

1526. (*Sir J. Muir.*) How is the tax levied?—Imported salt pays the tax at once before it is passed into consumption; the salt produced in India also pays the tax before it is allowed to leave the place of production.

1527. Who own the sources of supply of salt?—Some of the salt-works in Bombay and Madras and all the works in Burma belong to private owners; others belong to the Government. The salt mines in the Punjab and the salt sources in Rajputana and some other places belong to and are worked by the Government.

1528. Supposing we were to increase the tax from 2 rupees 8 annas to 3 rupees, that would raise the rate from 4*d.* per head to 5½*d.* per head, or something like that. Does that, after all, seem such a heavy tax?—The tax is levied on a necessary of life, and is open to objection, which is frequently taken against it. Quite recently, for instance, we were told by the Afridis that the raising of the duty on Kohat salt was one of the grievances which led to the frontier disturbances.

1529. Now, one or two questions with regard to the income tax. It seems to me, from what I know of the income tax in India, that in regard to a great many incomes the incidence of the tax is altogether inadequate. I think you stated that the limit was 500 rupees a year, equal to about 32% at the present rate of exchange?—Yes.

1530. What is the rate charged?—It is 4 pie and 5 pie, according to the amount of income.

1531. Four pie on what income?—Up to 2,000 rupees a year it is four pie, and above that five pie.

1532. Is it not possible to fix a higher percentage upon larger incomes?—It would be possible; everything is possible, as I said before; but in regard to the income tax especially, I think it will be well to remind you that the tax has caused grave dissatisfaction in India amongst Europeans as well as natives, very specially amongst the mercantile classes; and still more strongly amongst the tea planters of Assam. The higher rate is also equal to 2·6 per cent., which is more than equivalent to the rate of 6*d.* in the pound, and that is not a low rate.

1533. You seem to say that a tax that causes dissatisfaction should be carefully considered?—I think the principle applies to every country that a Government should hesitate to increase the incidence of a tax which arouses such ill feeling as the income tax in India has done since it was first imposed in 1886.

1534. But you are aware that this fixed rate of 1*s.* 4*d.* has caused grave dissatisfaction and indignation among a large number of people both in India and in England, Scotland, and Ireland—I refer to the tea-planters?—That may be so, but if the tea planters were polled as to whether they would vote for an increase of the income tax in view to the reopening of the mints, I should not be confident of the result. What we have to do, I should think, in discussing a question of taxation is to consider the whole and not merely a section of the population, and if we find a tax to be the subject of such dissatisfaction as the income tax has been amongst all the classes to which it applies—as everybody officially charged with the administration of India will tell you it has been—we should pause and consider before we attempt to increase it. Not that the principle of the tax is unsound; indeed, in principle, an income tax is absolutely sound.

1535. Then you think that in order to get attention paid to their complaints a considerable storm ought to be raised?—I do not mean that. I mean that if a storm is raised it shows that people have a grievance, or think they have, which is not very different in practice.

1536. Could not the income tax be materially increased in India?—It could be increased, but—

1537. Do you mean that it is not practicable?—It is practicable; everything is practicable, if you choose to run risks, but I think it would be most injudicious and impolitic to increase the tax.

1538. (*Sir D. Barbour.*) You gave figures of the amount of cultivated land in India, and of the amount of cultivable waste and fallow land. Where did you take those figures from?—The agricultural statistics of India.

1539. They are sent up from each province?—Yes.

1540. The amount of cultivable waste in round figures is 100 million acres?—About that—nearer 100 millions than 90 millions.

1541. In what provinces chiefly?—The largest area of culturable waste land, stated in millions of acres, is to be found in:—Burma, 34·7; Punjab, 22·8; Central Provinces, 11·6; North-West Provinces and Oudh, 11·3; Assam, 7·4. Most of the remainder is in Bengal.

1542. Are you prepared to say that all that land entered as cultivable waste could be cultivated at a profit?—I think it might.

1543. The 100 million acres?—Probably not at once.

1544. There are a great many districts or provinces in India where there is very little waste land that could be cultivated?—Very little.

1545. You see very little in the Ganges Valley?—Very little there, it has been cultivated from time immemorial almost.

1546. And in many places the land is cultivated to such an extent that there is great difficulty in finding pasture for the cattle?—That is so. The Government have, in fact, had to take special measures to reserve pasture land.

1547. It is a serious evil in some places?—It is.

1548. Now you gave figures showing the internal trade, and showing how it had increased down to 1897. That was the inter-provincial trade?—Yes.

1549. Those returns were obtained on certain railways and rivers?—Yes.

1550. Not from any other places?—No.

1551. You did not record the trade across the provincial frontiers by road?—No, that is not registered.

1552. If new railways were made connecting two provinces there would be an increase shown in the returns which would not be altogether real?—That is so, and that is what I tried to bring out when I was giving evidence before.

1553. The famine would also in some cases tend to increase the inter-provincial trade?—That is so, but in the present case the increase in the figures is largely in other articles than food-grains.

1554. I do not know how you dealt with imports of rice during the famine from Burma to the North-West Provinces and to Bengal?—They are not included in the figures. The grain came from the ports, and I excluded all trade with ports.

1555. Although it was in a sense inter-provincial trade?—Yes.

1556. On the whole you have no doubt that the internal trade has increased?—No doubt at all.

1557. Making allowance for all the considerations that I have mentioned?—Yes.

1558. You said that the opium revenue was doomed to extinction; is not that putting it rather too strongly?—I did not assign any limit of time, but I do not believe that it can last permanently. As the capacity of China for producing opium increases, and the drug is produced of a quality approximating to the Indian quality, and at a lower price, there is little doubt that Indian opium will be superseded.

1559. The latest price of opium in Calcutta was about 950 rupees a chest?—Thereabouts.

1560. I do not know whether you recollect that it costs the Government under 500 rupees a chest to produce, or it used to cost under 500 rupees?—Mr. Finlay will be able to tell you more about that.

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1561. I know of my own knowledge that the cost used to be under 500 rupees. If that is right there is at present a profit on the opium sales in Calcutta of nearly 100 per cent.?—Yes.

1562. There is a margin there which ought to enable the Indian opium for some time to resist extinction?—It will resist extinction, I should think, for some considerable period, but the revenue is not likely to expand.

1563. In taking 950 rupees as the price of opium in Calcutta I have taken a very low price compared with what it has been in some years?—Yes.

1564. You gave us figures showing the increase of the land revenue in India for a number of years. Has not that increase been due, to a certain extent, to the annexation of new territory, Upper Burma chiefly?—I doubt whether we are getting much out of Upper Burma. In Lower Burma there has been a large increase from re-assessment.

1565. Has not there been a considerable increase in Upper Burma?—The total land revenue of Upper Burma is about Rs. 627,000.

1566. The land revenue has not been growing really at the rate it appears to have done in your figures?—No, not so fast.

1567. Then, as regards the growth of the income tax, I think a portion of the increase will have been due to the extension of the tax to Burma?—The returns from Burma are very small; the tax has not been extended as yet to the whole of Burma.

1568. You said something about high rates of discount being due to the contraction of the currency. Do you think that a contraction of the currency necessarily implies a rise in the rates of discount?—I think if a currency were so contracted that the necessities of circulation reduced the amount available in the banks for loanable capital, the rate of discount must rise; if the contraction is carried far enough a rise in the rate of discount is inevitable, unless trade adjusts itself to the contraction of the currency.

1569. In what way?—By the reduction of trade.

1570. Might it not adjust itself by a fall in prices?—It might.

1571. If a contraction of the currency took place equally all over the country affecting both the bank balances and the circulation, and prices simultaneously fell in proportion, would there be any rise in the rate of discount?—I think not, then.

1572. It all depends whether or not the fall of prices takes place simultaneously?—Yes.

1573. Then, you gave the rate of increase of the Indian population. What is that rate of increase founded upon?—The census returns. They are imperfect for former years, but as far as they go the rate of increase may be taken about one per cent. per year.

1574. If the returns were being prepared with increasing accuracy at each new census, that would show on the figures an increase which is larger than the real increase?—Yes, and there is no doubt that is the case. The last census in some of the native states shows most remarkable increases of population, and these are certainly apparent, not real. They only mean that the former censuses were very imperfect.

1575. Still, I understand that making allowance for that, there is no doubt that the population of India under ordinary circumstances increases with considerable rapidity?—I would not call the speed considerable, because the rate of increase is much smaller than in some European countries; but for Asiatic countries the increase is considerable.

1576. (Sir C. Crosthwaite.) It has been suggested to us that the Government of India might get money by raising the rates of fares on the railways. Do you think much could be raised in that way?—I do not think that anything could be raised in that way. We have found by experience that any raising of rates has been accompanied at once by a reduction in the number of passengers or the quantity of goods. At present the management of the railways in India

is based on commercial principles. Each railway administration divides goods into classes; some are charged at high rates because they are articles which may be so charged without risk of loss of traffic, or which give no prospect of development, or which are troublesome to carry. Other articles are charged at the lowest rates which give a profit, in order to stimulate and develop a traffic of benefit to the country, and especially to the railway.

1577. We have always had to guarantee the capital of companies which have raised money for railways in India?—Yes.

1578. Almost always?—I think I know of only one case where a guarantee was not given, and in that case it had to be given afterwards.

1579. (Sir J. Muir.) I know of one case. I do not think it is the one you are thinking of. I mean the Bengal-Dooars. There was no guarantee there?—That is a very small line.

(Sir D. Barbour.) But it received very important concessions.

1580. (Sir C. Crosthwaite.) Taking the company that was formed in 1889—the Bengal-Nagpur—what was the rate of interest we guaranteed?—I do not remember.

1581. You may take it from me that it was 4 per cent. Since the closure of the mints we have formed one or two companies; the Burma Railways Company, for instance, was formed in 1896. Can you tell me the rate of interest guaranteed to that company?—3 or 3½ per cent., I think.

1582. It was 2½, with one-fifth of the surplus profits. That was formed after the closing of the mints?—Yes.

1583. So that the closing of the mints has not injuriously affected our power to raise capital for railways?—No, on the contrary. Applications for concessions are very numerous.

1584. (Sir A. Dent.) One example of the contraction of currency that was given to us was at Moulmein, where it was said that a firm, whose name is not given, could not get 21,000 rupees to pay duty on a cargo of rice. Is there any explanation of that?—It seemed to me that that illustration must have been mentioned more as a joke than anything else. It seems incomprehensible that any respectable firm could have arranged to purchase rice at a cost which was, probably, twenty times the amount of the duty, without having made arrangements to enable it to pay this small amount of duty. It may have been that there was some oversight, and that arrangements were not made to get the money from Rangoon. All the rupees required in Burma for the rice trade are imported from Calcutta, and every firm in Burma has to arrange beforehand to secure the amount of rupees they think they will require for their purchases, for the mill labour, and for export duty. In this particular case there must have been some neglect in not arranging to get the rupees from a Bank at Rangoon or Calcutta. There can be no question of scarcity of currency in this business; it is absurd to think of 21,000 rupees as being an illustration of the contraction of the currency in India.

1585. You treat it as a joke?—It seems to me that it must have been put forward more as a joke than anything else.

1586. (Mr. Campbell.) You said in reply to the Chairman that the advantage of a falling exchange goes to the merchant rather than to the cultivator?—That seems to me to be the case.

1587. Because the advantage is only temporary, and only lasts during the course of the transaction between the two countries?—Yes.

1588. Do you mean that a fall of exchange is so immediately followed by a corresponding fall in the sterling price of the exported produce that the rupee price is immediately affected, and at once falls back to its former level?—A fall of exchange has always, I think, been accompanied by an immediate adjustment of the gold price.

1589. Then, I suppose, the converse would happen in the case of a rising exchange?—I suppose it might. Of course it must be remembered that gold prices are affected by other conditions.

1590. That is exactly the point?—If a man is engaged in a particular transaction and exchange falls during the course of that transaction and he is doing business with a man here, if he gets the benefit of that fall of exchange, the man he is doing business with will not allow him to do the same thing on the next transaction.

1591. That would be the case where India is competing with other countries?—In the adjustment of prices there are numerous factors to take into consideration.

1592. Suppose India is competing with America in wheat in the English market, will the fall of exchange be followed by a rise in the sterling value of the produce notwithstanding the competition of these two countries?—No.

1593. You admit that exchange is not the only factor in adjusting sterling prices?—It is by no means the only, or the most important, factor.

1594. Would you say that the effect of a rise or fall in exchange would be shown in both the rupee and gold price of produce, that is, would be divided between the two?—Yes.

1595. You would modify your opinion to that extent?—That is the more explicit and accurate way of stating it.

1596. We saw some of these gold bars that go out to India to such a large extent—these 10 ounce bars?—I have seen a great many of them in Bombay.

1597. What is done with them?—I think they are melted into ornaments, with the exception of a proportion—whether small or large it is impossible to say (though I think it is small) which are used by some native chiefs or very wealthy men to put into hoards.

1598. But as far as you know, they are not used for currency purposes?—No, absolutely not.

1599. You gave us some very valuable tables, among others a table of the revenue and the expenditure of India, from 1873 downwards: could you supplement that by a table showing the amount of sterling and rupee borrowing during the same period?—Yes, I will give you that.

1600. And also the amount spent in the construction of railway and irrigation works during the same period, both in rupees and in sterling?—Yes.

1601. That will enable us to see how far India had been constructing railways out of revenue, or how far she had been expending money borrowed for the purpose?—I will supply the table.

1602. (*Mr. Hambro.*) Referring to your tables showing the gold production in India in the last ten years, could you supplement that by giving the amount also got out of the earth during the same time, so as to get the total amount in India?—I am afraid we have not got the statistics of mining production in India for ten years, but I will give them to you for all the years for which we have them.

1603. (*Mr. Le Marchant.*) In your statistics of prices, could you point to figures as showing that Indian prices had adjusted themselves at the date of the closing of the mints to the sterling value of the rupee?—No, I cannot go further than to say that Indian prices remained pretty steady from 1873 onwards until about 1885, and that then they rose rapidly, and in about the proportion in which silver had depreciated. I think it may be said that from that date onwards to the closure of the mints Indian prices had adjusted themselves to the value of the rupee.

1604. As a general inference, you would draw that conclusion?—Yes.

1605. You have given some statistics of area of cultivation. Can you give us any special statistics of the area of cultivation of tea and coffee in recent years?—Yes, I have those, and I am glad you have asked for them.

1606. Do they show that there has been no pause in the extension of tea cultivation?—There has been no pause in extension. From a paper which I wrote about the end of last year I take the following figures, which give the number of acres under tea in the 12 years from 1885 to 1896:—

1885	-	283,925	1891	-	362,437
1886	-	298,219	1892	-	374,869
1887	-	312,803	1893	-	395,839
1888	-	324,327	1894	-	400,527
1889	-	333,701	1895	-	415,717
1890	-	344,827	1896	-	433,113

The figures for 1897 have not reached me, but from a recent official report it appears that in Assam about 45,000 acres were added to the area in 1897.

1607. Has the range of prices of those articles varied with the increase of competition?—The fluctuations in the prices of tea have been great. I take the prices as returned by the Bengal Chamber of Commerce from 1873. Taking the figure in 1873 as 100, they varied between 148 and 110 down to 1884. Then prices began to fall. In 1885 and 1886 the price was 90, falling then to 77, 84, 77, 63, 81, 71, 87, 82, 97, 84, 64. So that it can only be said in regard to tea that there has been a great fluctuation of prices with a drooping tendency for the last 12 or 13 years—say since 1885.

1608. Would that apply to any one particular kind of tea?—That is fine Pekoe. I have also the figures for the other kinds—broken Pekoe, Pekoe, and Pekoe-Souchong.

(*Sir A. Dent.*) You ought to put in the average of the whole invoice.

1609. (*Sir J. Muir.*) It is essential if you are going to be impartial to give the average?—I have the prices of four different qualities, these being the qualities which form the bulk of the exports.

1610. But you could easily get the exact figures from the Indian Tea Association?—I asked for them some time ago, but was informed that the Association were unable to verify or supplement my records. Then, to answer Mr. Le Marchant's question as to coffee. Coffee is different from tea in this respect that it is grown, and can be grown, only in a restricted region. The number of acres under coffee in 1885 was 237,000; in 1896 it was 289,000, the increase having taken place although the possibility of growing coffee outside of a certain zone is small, and the plant has had to maintain a struggle against disease and against the competition of tea, which is tending to take its place in Southern India, as it has done in Ceylon. The record of prices of coffee is so remarkable that I really do not know what is the origin of the complaints of persons interested in coffee. There is a fall in prices now, it is to be hoped only temporary, but for the 10 years from 1886 to 1897 East Indian coffee in London has shown a range of very high prices.

The following figures represent the Annual Average of the Weekly Prices of East India Coffee in London:—

	s.	d.	s.	d.		s.	d.	s.	d.		
1874	100	10	to	119	0	1886	58	2	to 101	8	
1875	98	8	"	116	3	1887	85	6	"	104	10
1876	100	1	"	117	2	1888	75	1	"	97	7
1877	99	7	"	120	2	1889	91	7	"	101	2
1878	95	3	"	119	0	1890	100	0	"	112	2
1879	85	10	"	115	8	1891	98	4	"	111	6
1880	85	5	"	113	9	1892	97	8	"	111	0
1881	71	1	"	110	9	1893	98	8	"	111	4
1882	61	2	"	108	9	1894	93	9	"	108	3
1883	66	11	"	104	7	1895	92	5	"	109	4
1884	56	3	"	95	3	1896	88	11	"	110	11
1885	52	1	"	98	11	1897	82	11	"	107	0

1611. (*Mr. Le Marchant.*) You were speaking of taxation as having been reduced in 1882, and subsequently re-imposed or increased as the sterling value of the rupee fell. What equivalent do you think the

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taxpayer has got for that additional taxation?—Really nothing at all, it may be said. All that taxation, or at any rate the greater part of it, has been imposed for the purpose of filling the deficiency caused by the fall of the rupee. The re-imposition since 1886 of taxation to the extent of between 6 and 7 crores has compelled the taxpayer to work longer and harder in producing for export more merchandise to pay the sterling obligations. Ordinarily, it may be said that taxation, if it is spent in the country on useful objects, is only a redistribution of wealth, and that though sections of the population are being taxed the whole population is benefited; but in this case it is not apparent where the benefit comes in, or where the benefit of any further taxation for the purpose of filling the gap caused by a further fall of the rupee would come in.

1612. So far as that additional taxation is represented by a larger amount of Council bills and an increase of exports, do you consider that India gains an equivalent?—No, it is simply paying more produce for the same debt.

1613. With regard to trade and discount rates, can you point to any facts which would account for a higher rate of discount ruling for a longer period than, say, 5 or 10 years ago?—I observed that one or two witnesses spoke of the stringency of the money market being spread over a longer period of the year now than used to be the case. I am inclined to think that they left out of consideration the fact that the busy season of the year is now much longer than it used to be. In former times the busy season

of the year extended only over about three or four months. Now, the busy season of the year extends over six or seven months or more, and consequently the demand for money extends over a longer period of the year, and with the demand a higher rate of discount. I do not say that that accounts for the whole of it, but it is a factor that ought to be taken into consideration. If any one says that the prolongation of the period of high rates is due to the closing of the mints (which I do not myself admit), then it may fairly be said in answer that part of it, at all events, is due to the prolongation of the busy season.

1614. It has been suggested that the Government should offer higher rates of interest on sterling loans to attract more capital for the development of railway construction. In your opinion would that lead to a probable loss on railway revenue account?—It would depend upon what the rates are.

1615. Higher, I assume, than the present?—Yes, I think so. As it is, with the present rates there is a loss on the account.

1616. And any rapid increase of that in the amount of sterling capital raised, and the rate of interest paid for it would, at all events for a time, cause a revenue loss?—It would weight the country with a burden from which it would only be relieved after a number of years, as the railways began to earn as much as—or more than—the interest. Many of the lines cannot do this for a period of some duration, some of them will never do it.

The witness withdrew.

FOURTH DAY.

Tuesday, 7th June 1898.

PRESENT:

The Right Hon. Sir HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

The Lord BALFOUR OF BURLEIGH.
Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir DAVID BARBOUR, K.C.S.I.
Sir CHARLES CROSTHWAITE, K.C.S.I.

Sir ALFRED DENT, K.C.M.G.
Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, Secretary.

The Hon. ALLAN ARTHUR called and examined.

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1617. (*Chairman.*) You are at the present time President of the Bengal Chamber of Commerce?—No, I recently resigned.

1618. How long had you been president?—I was president last year, and I was president in 1893, and I was president for the first two months of this year.

1619. Also you carry on a large business in Calcutta?—A moderate business.

1620. You have been in business in Calcutta for how many years?—I have been in business in Calcutta for 10 years. I was in Bombay before that for 11 years.

1621. You have 21 years' experience of Indian trade?—Yes.

1622. Have you been a member at all of any of the councils?—I am at present a member of the Viceroy's Council.

1623. Now, in what you are going to say to us to-day, are you representing the views of the Bengal Chamber of Commerce?—No, I think not; I am expressing my own views.

1624. I suppose that in the Bengal Chamber of Commerce, as in other chambers of commerce in India, there is a divided opinion upon the questions that are referred to this Committee?—Certainly.

1625. Would you feel justified in saying that you represent a great body of opinion among the mercantile classes in Calcutta?—I think I may say that I represent a very large body of that opinion, and I think the press in India practically agree with my views.

1626. At the present time what is the most important question affecting the interests of commerce in India?—The currency question.

1627. During the past year I suppose there have been two very important questions in connexion with the currency of India, namely the refusal of the Government of India to accept the proposals of the American and French Governments to remonetise silver, and the establishment of a gold standard in Japan?—Yes,

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1628. Both those events have taken place during the present year?—Yes.

1629. What do you regard as the ultimate effect of the proposals of the American and French Governments with reference to the demonetisation of silver?—I think the ultimate object was the fixing of the ratio between silver and gold at $15\frac{1}{2}$ to one.

1630. What would that have made the rupee?—About 1s. 11d.

1631. Will you tell the Committee what you think would be the effect on the trade of India if the value of the rupee had been raised to 1s. 11d.?—I think it would have had a most disastrous effect on the trade of India. It would have upset a great many contracts, both for imports and exports. I think it would have ruined many of the industries of India.

1632. But that would have been, I suppose, simply a temporary effect. In the course of time, assuming the rupee had been fixed at 1s. 11d., the conditions of trade would have re-adjusted themselves to that?—I think so.

1633. What was the effect in 1890 of the large increase that then was made in the value of the rupee?—In the import trade there was to a certain extent very great trouble owing to the piece-goods dealers in Calcutta trying to repudiate their contracts, but fortunately, I think, for India, the high rate of exchange did not last long, and there was a decline just as rapid and as great as the rise had been.

1634. Can you tell us what the value of the rupee was prior to the rise in 1890?—It was about 1s. 5d.

1635. And what did it rise to?—1s. $8\frac{1}{2}$ d.

1636. In what period?—That I think was between February and August.

1637. Then what did it fall to in that same year?—It fell to about 1s. 5d.

1638. Now will you give us your opinion as to what was the effect on the trade of India of the closing of the mints in 1893?—I should say that the effect in the first two years was not disastrous. I think that trade went on fairly well.

1639. I suppose there was considerable dislocation the first year?—There was in the first instance, especially in imports, which were stimulated, and there was certainly a dislocation in the export trade until the Secretary of State began selling his bills again.

1640. When the Secretary of State began selling his bills again with the mints then closed, do you think there was then either a beneficial effect, or the contrary effect, on trade?—I think I can hardly answer that question, because the trade, as it were, is in a transition state.

1641. When do you think the transition state will terminate?—It has not terminated yet.

1642. You still regard it as in a state of transition?—Yes.

1643. Do you think that the present rate of Council bills, which is a fraction over 1s. 4d., is regarded as a permanent rate?—Yes, I think it is regarded as a permanent rate. There is a very large export business going on, and if the exports of India are going on largely, I think people in India think the rate will be continued, i.e., provided the currency has contracted.

1644. I suppose the effect of the Government being bound to give rupees for gold at 1s. 4d. is to prevent any further rise in value?—Yes.

1645. Practically the effect of the condition which was then added to the closing of the mints has been almost automatically to prevent the rupee rising above 1s. 4d.?—Yes, that is the effect.

1646. Do you think it is possible to re-open the mints?—I think it is practically impossible to re-open the mints.

1647. Will you tell the Committee why you think so?—I think on it being declared that the Government would return to open mints the rupee would immediately decline to 11d. and could not rise above that, so long as the present ratio between gold and silver coins in Japan lasts.

1648. You say the rupee would immediately decline to 11d., but supposing the intrinsic value of the rupee was, say, 8d.?—It would go to 8d.

1649. But you think that whatever the intrinsic value might be it must go to 11d.?—Yes, as a maximum, I think, so long as the present ratio between gold and silver coins in Japan lasts.

1650. Just explain that to us?—In Japan the gold yen and the silver yen are interchangeable.

1651. Is the yen about equivalent to the rupee?—The silver yen is about 2s. 0 $\frac{1}{2}$ d.

1652. (Mr. O'Connor.) The old silver yen is practically a dollar, but of course the gold value has fallen very much.

(Chairman.) Suppose silver went back to 60d. an ounce what would be the effect on the yen?

(Mr. O'Connor.) The yen then, of course, would be the same value as the dollar; it would be about 4s. 2d. I think.

1653. (Chairman.) The yen and the dollar are practically the same?

(Mr. O'Connor.) Practically identical.

Witness. The gold yen, if shipped to London and minted, would out-turn 2s. 0.32d. The silver yen if minted in India under the old conditions, would out-turn a little under Rs. 222 per 100 silver yens.

1654. (Chairman.) What would that be per rupee?—That would equal about 11d. per rupee. The exchange banks could sell sterling in Japan at about 2s. 0 $\frac{1}{2}$ d. and could buy and ship to India silver yens which, if minted in India, would, as I have said, out-turn Rs. 222 per 100 silver yens, which is equal to about 11d. per rupee. The transaction would pay the banks so long as Indian exchange remained a fraction above 11d.

1655. But, of course, if it went below 11d.—? It would not pay the banks.

1656. Then the rupee would sink to its own intrinsic value?—Yes.

1657. I understand your argument to be this: Given the opening of the mints to the unlimited coinage of silver, the present monetary condition of Japan, and therefore of that portion of the East, would prevent the rising in the exchange value of the rupee above 11d.; but if the exchange value of the rupee fell below 11d., it would fall in that case to its intrinsic value as bullion?—Yes. Of course, it would pay the exchange banks, so long as exchange remained a fraction above 11d. It is therefore plain that the rupee could not rise above 11d. without being immediately arrested by shipments of yens, and this would last until Japan was denuded of yens or until silver was maintained at a level above 29d.

1658. But if silver rose above 29d., would it raise the value of the rupee?—Oh, yes, if silver rose above 29d., the rupee would go up.

1659. Now, will you tell us what the effect on the financial condition of India would be if the rupee was permanently fixed or went down to 11d. How would that affect the taxation of India?—With the rupee at 11d. as against 1s. 4d., the annual increase in taxation would amount to the enormous sum of between 11 and 12 crores of rupees; and as the increase would be immediate and not gradual, India would be face to face with bankruptcy, or at all events, in my opinion, the increase in taxation would be so exasperating as in all probability to lead to another mutiny, and in this event it would be a mutiny not of the soldiery but of the people. These are contingencies which the mercantile community cannot afford to face.

1660. I see that the average rate of exchange during the period that I was in office was a very little over 1s. 1d.; was there any increase of taxation then?—I cannot say that.

1661. There was an increase of import duties. The import duties are now part of the revenue, but I want to direct your attention to this. You think 11d. would be fatal to the financial position of the Government of India, but as a matter of fact has not the rupee been as low as 13d., and that has not been fatal to the position of the Government of

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India?—But the rupee was only that for a short time.

1662. I will give you the figures. The average for the whole year of 1894-5 was 1s. 1d. with a very small decimal. Then in 1895-96 it was practically a little over 1s. 1½d. Then the next rise, the real appreciable rise, was in 1896-97, when it was 1s. 3½d. In 1897-98 it was 1s. 3½d., and that is practically what the Secretary of State is going to estimate it for again, at 1s. 3½d. for the year. So that that very low rate of the rupee did last a considerable time?—Yes, that is a point I have not gone into lately.

1663. Now what do you say about the silver rising above the 29d., having regard to the world's supply of silver. What was the experience when America was buying 54,000,000 ounces yearly?—The experience was that silver gradually and steadily declined.

1664. The re-opening of the mints would not involve so large an absorption of the world's production of silver as the compulsory takings under the Bland and Sherman Acts?—I think not so much.

1665. Supposing the present state of financial affairs—in case of the mints being re-opened—would India be practically the only large buyer of silver?—You may say that India would be practically the only large buyer of silver.

1666. We have had some evidence about the stability of exchange. Will you tell us, as a mercantile man, what is your view as to the desirability of stability of exchange?—I think the stability of exchange with the silver standard is absolutely impossible.

1667. Will you just explain that in your own way?—With the great commercial countries? In my opinion, silver is now a commodity; it fluctuates just as other commodities fluctuate; it is not money. Silver is not money; and as silver fluctuates, the rate of exchange would naturally fluctuate with the fluctuations in silver.

1668. In other words you consider the price of silver would be so uncertain and so varying that it would not possess the first element of a monetary standard?—Quite so.

1669. Can you give us any reasons as to the expediency or in expediency of returning to a silver standard?—In his evidence before the Herschell Committee, Mr. Stephen Ralli stated that in or about 1873, when silver was demonetised, his firm placed their capital on a sterling basis. It is also a well-known fact that the exchange banks without exception have remitted their capital to England, because they distrust the silver standard.

1670. You say it is a well-known fact that the exchange banks without exception have remitted their capital to England; supposing anybody disputed that as a matter of fact, what would you say to them?—I should say it is a matter of common knowledge from the reports of the exchange banks.

1671. There is no doubt about it?—There is no doubt about it.

1672. In fact you do not think that is arguable. Is it a fact?—That is the fact. Then, if the silver standard is not good enough for Messrs. Ralli Bros. and the Indian exchange banks, how can it be maintained that it is a good standard for India as a whole?

1673. What would be the position of the Indian money market on a silver standard?—I would suggest that, under a silver standard, the position of the Indian money market was at times most unsatisfactory. Those people who now cry for open mints, say that the moment the mints are opened dear money will be a thing of the past. This might possibly be the immediate effect, but I ask how long would it last?

1674. You say there is dear money now?—There is certainly dear money now.

1675. Do you think there is now a contraction of the currency?—Well, that is a very difficult question.

1676. Do you think there is a contraction of capital?—There is a contraction of loanable capital. There seems to be considerable confusion in the minds of the advocates of a silver standard as to what constitutes cheap money. They thought that large imports of silver gave plentiful money, but too often these large imports meant merely an increase in the bulk of the currency without increasing the supply of capital. The result, at all events, was seldom a low bank rate, which is the real test of plentiful money.

1677. What is the present bank rate?—When I left Calcutta it was 11 per cent. I think it is now 10 per cent.

1678. What would you call the normal average bank-rate in Bengal?—Of course, for the last two years the bank-rate has been very high.

1679. Take the two years before?—I should say about 6 per cent., and before that it was lower.

1680. Can you give me any comparison with this country. The Bank of England rate being 3 per cent., what would be the corresponding equivalent to a bank-rate in Bengal?—I should say 5 or 6 per cent.

1681. That is to say that practically in Calcutta a bank-rate between 5 and 6 per cent. would be regarded there as we regard a 3 per cent. rate here?—I think so. There were constantly recurring periods of great stringency before the mints were closed. In 1874, 1876, 1877, 1882, 1884, 1889, and 1890, the Bank of Bengal rate went into double figures—10 per cent. or over.

1682. The value of the rupee in 1874 was 1s. 10d., in 1876 it was 1s. 8d., in 1877 1s. 8¾d., in 1882 1s. 7¾d., in 1884 1s. 7½d.; in 1889 it was 1s. 4½d., and in 1890 it was 1s. 4½d. Would you draw from that the inference that the stringency of the money market is totally independent of the exchange value of the rupee. You say there were periods of great stringency when the rupee was very high?—Yes. I say that that is due to the fact that there was a want of confidence in the silver standard.

1683. And even as far back as 1874?—Even as far back as 1874, and I say that, while the Bank of Bengal rate was 10 per cent. or over, the Bank of Bombay rate was higher. The Bank of Bombay rate is as a rule higher in March and part of April than the Bank of Bengal rate. In the years which I have mentioned, as at present, the exchange was liable to fall heavily, and the banks and others had no confidence in buying Council bills and silver, with which to provide India with sufficient currency.

1684. What was the result of that?—The result was that the Indian money market never got immediate relief as it would have done if India had had a standard in which banks and capitalists had complete confidence. The distrust of silver is greater now than it was before the mints were closed as evidenced by the condition of China at the present time, and I unhesitatingly say that there never will be confidence in silver, unless—and even then it is most doubtful—the price of silver is fixed by international agreement.

1685. You say that that is evidenced by the condition of China at the present time. Will you just explain that?—I was informed by some of the bankers in Calcutta that they were afraid to ship silver to China, because they did not know at what rate they would get their capital back.

1686. I suppose that applies to their shipping silver anywhere?—Yes.

1687. What do you say India requires to be the chief characteristic of its standard?—India requires a standard in which capitalists will have absolute confidence.

1688. You mean absolute confidence as to its permanent fixed value?—Confidence as to its permanent fixed value, i.e., stability.

1689. Now, what have you to say as to the producing power of India?—I say from the producing point of view India is an immensely rich country. Her labour supply is inexhaustible. Her soil is so fertile that in

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some parts of the country two crops yearly are taken out of the ground. As an example of her recuperative powers, one has only to think of the immense shipments of wheat she is making this year, a year following one of extreme famine. It can be taken as undisputed that India is a most fertile country.

1690. From that would you draw the inference that India's producing power is sufficient to carry off the Secretary of State's bills?—I think so, provided she is supplied with capital.

1691. From another point of view, I suppose you would say that India is not a very rich country?—From the point of view of loanable capital, I say India is a poor country. There is no doubt that many of the maharajahs and noblemen of India have immense fortunes, but they do not as a rule apply them to remunerative public works or remunerative industries. The irrigation works, the railways, the jute and cotton mills of Bengal, the tea gardens of India, the indigo factories, in fact nearly all the important industries of India have been made with British capital; excepting in Bombay, where the cotton mills have been to a considerable extent established by native capital.

1692. Capital sent from this country?—Capital sent from this country.

1693. Capital beneficially employed in India?—Capital beneficially employed in India.

1694. And the interest on which of course, has to be remitted to this country?—To a very great extent, unless the proprietor of one of these industries is in India.

1695. Assuming British capital out there, what is called the drain upon India is simply the price which the Indian manufacturer has to pay for his capital which he would have to pay wherever he got it from?—Yes.

1696. You think the future development of the natural resources of India will depend to a great extent upon their obtaining foreign capital?—I think it is absolutely necessary to have foreign capital. I think it is certain that the rich natives will not provide it.

1697. What do you think at present is restraining the import of English capital, when there is such a surplus of capital here that people are content with the lowest rate ever known?—I should say it is the distrust of the Indian standard. No one knows what he will ultimately get back from India if he sends 100 sovereigns there.

1698. That you regard as the real key of the position?—Certainly.

1699. Capitalists in Europe will not send their capital to India because they do not know what shape or value that capital will have when it is returned to them?—Yes; unless, of course, they see that they are going into a very good thing. They would, of course, go into a thing if they see there is a very high rate of profit.

1700. Now is it right to say that the great bulk of the Indian trade is done with gold-using countries?—I believe there is about 80 per cent. of Indian trade done with gold-using countries.

1701. Does that lead you to any conclusion with reference to what the standard should be in India?—I say on that account the standard should be the same as that of the great commercial countries with which she does her export trade.

1702. I suppose that practically both the buying and selling with gold-using countries is carried on a gold basis?—Certainly.

1703. The subsequent reduction of the transaction into rupees is a subsidiary matter altogether?—Yes.

1704. The exporter sells on a gold basis?—Yes.

1705. It is rather a speculative matter; but what do you think would be the opinion of native Indian bankers with regard to this question?—My opinion is

example of every independent nation (Mexico excepted), and discarded silver when it was found that the local currency fluctuated relatively to the currencies of the countries with which India does most of her trade and all her borrowing.

1706. Has that been the effect in Japan. That is the course that has been pursued in Japan. Japan has established a gold standard this year?—Yes.

1707. And you believe the effect of that will be beneficial to the industries and commerce of Japan?—I think so.

1708. Now an objection has been raised that a rupee of 1s. 4d. would be antagonistic to the thriving of the local industries—the internal trade of India?—Yes. People do say that closing the mints is strangling the trade and industries of the country. The jute mills of Bengal have never had a more prosperous time than in the last 12 months, because there has been an immense jute crop, the indigo planter seldom if ever had more prosperous seasons than the two preceding the last season.

1709. I suppose the prosperity or the bad trade in indigo would arise from the extent of the crop?—For the last year the crop has been bad.

1710. A bad crop will make a bad trade, anyhow?—A short crop will make very high prices, as a rule.

1711. What do you say about the tea industry?—The tea industry has not had a good season, but I say that has nothing whatever to do with the standard.

1712. Why not?—The weather was unsuitable last season, and the production has for the time overtaken the consumption.

1713. With reference to the cost of carrying on a tea planting business, does not the increase of the value of the rupee to, say, 1s. 4d. very much add to the cost of production in India?—That is a very broad question.

1714. I do not want the reason of it, I want to get first the matter of fact. Let us put this concrete case. A man sells a sovereign's worth of tea in London. If he receives at 1s. 4d., he gets 15 rupees only for that sovereign; if the exchange is low, he may get 17 or 18 or possibly even 20 rupees. Is he or is he not getting a disadvantage in his payments in India by getting a less number of rupees for the gold price of the article which he produces?—In the case of labour, for instance, he has an advantage.

1715. In the low exchange?—In the low exchange, but that advantage, I say, would cease when wages rise, as they are bound to do, as the rupee goes down, and that advantage to the tea planter would in time be lost. At present it is an advantage.

1716. But has he any corresponding advantage in the purchase of other things which he gets from England in higher prices?—He has. His stores cost him less.

1717. Do you think the one to any extent balances the other?—I think it does to a very great extent.

1718. Then may I ask you whether, if the normal condition were arrived at, and we had a permanent 1s. 4d. rupee, and wages were based on that and purchases of stores were based on that, then do you think the tea planter would suffer any exceptional disadvantage?—I do not think he would. The question of the price of tea would then become merely a question of supply and demand. If there was a low production of tea, the price would be high; if there was a good production the price would be low.

1719. So far as this is concerned, you are of opinion that the reduction in the price of tea has been mainly owing to the production being in excess of the demand?—I think so.

1720. Now about wheat?—Wheat has been exported in immense quantities notwithstanding very high freights and the maximum rate of exchange. When exchange was at its lowest and freights were very low, no wheat was exported, partly because the European markets

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on the basis of a 1s. 11d. rupee, has made immense strides in her export of both of these articles. Java, with her gold standard of, say, 1s. 8d. per rupee, has made immense strides in sugar, while Mauritius with her silver standard has remained stationary. Burmah is not losing her position as a rice-exporting country, notwithstanding the fact that other rice-producing countries such as Cochin China and Siam are on a silver basis at the rate of about 10d. per rupee. I am pointing all this out to show that circumstances other than the standard of a country have got to be taken into consideration when one is trying to find out the economic reason for the trade in any particular article of commerce expanding or declining. Climate, soil, geographical position, labour, are all far more potent factors in regulating the trade and industries of a country than the monetary standard. A depreciating standard may help certain industries up to a certain point, but, if certain industries do get an advantage by a depreciating standard, some other interest must suffer.

1721. I suppose you would hold the opinion that a depreciating standard cannot permanently be of any benefit to the country?—No permanent benefit.

1722. If it is a good thing for India to have a standard, say, of 1s. the rupee, I suppose it must be a better thing to have it at 6d.?—Certainly.

1723. Then one might go on to 3d., and then it becomes a *reductio ad absurdum*?—Certainly.

1724. Now what do you say to the tea growers advocating a low exchange? Just apply what you said just now to the tea industry?—Tea growers advocate a low exchange (when they say a low exchange they must mean a depreciating standard), but the advantage they get on this account is gained at the expense of some other interest (such as importers, taxpayers, labourers), and would be counter-balanced by an ultimate advance in wages, which, with a depreciating standard, must in time advance, though wages, especially in India, take a long time to move.

1725. Are you aware that there is great opposition on the part of the tea industry to this 1s. 4d. rate?—On the part of some people there certainly is.

1726. Especially the Ceylon growers?—Especially the Ceylon people. I may mention that one of the leading agents in Calcutta told me before I left that while he favoured a fixed rate of exchange, he thought 1s. 3d. or 1s. 2d. would be more suitable than 1s. 4d. In reply to my request for his reasons, he said that the industry was overdone, and that at 1s. 2d. it would last longer without a crisis than at 1s. 4d. There is no doubt that the industry has been overdone for the time being, but fixing the rate of exchange at a low level will not place it on a sounder basis. It certainly will not increase the consumption which is what is wanted to meet the increase in production. Tea-shares are not in favour at present either in Calcutta or in the City of London. This has nothing to do with the currency, but is due to the idea that the supply of tea has for the time overtaken the demand, and that the supply in the near future is likely to further increase.

1727. I suppose you would apply that argument to every other industry—that its success or failure depends on the law of supply and demand?—Certainly.

1728. And that the instrument by which the trade is carried on, the medium of exchange, cannot affect the law of supply and demand?—Just so.

1729. Now what do you say about the point that if India had been under a silver standard its prosperity would have been much greater?—People will say that if India had been under a silver standard when

by the international standard, why not follow the logical conclusion of this argument by discarding silver and taking to a cheaper medium, paper, or copper or cowries?

1730. Did the jute and indigo and wheat trade suffer with all the other classes in India?—Yes. I pointed that out when I stated that the Bank of Bengal rate of interest went into nearly double figures. Lately the jute and cotton manufacturers in India have had to pay 12 to 14 per cent. interest to carry their stocks of raw material. Dundee and Lancashire carry theirs at four to five per cent. The stringency of money in India is a terrible tax on the trade and industries of the country, and on this point every one is agreed.

1731. I have no doubt the other members of the Committee who understand the matter better than I do will examine you upon the questions of the stringency of currency, and how it affects trade, and so on. I will only ask you here whether the stringency of the money market would, in your judgment, be alleviated by a stable exchange?—By stability in exchange and confidence in exchange.

1732. The Bengal Chamber of Commerce have recently passed a resolution with reference to this stringency urging the Government to adopt a specific policy. What do you say with regard to that?—They urged on the Government the desirability of passing the recent Gold Bill to enable the Government to pay rupees in India out of the currency reserves in exchange for gold, deposited in the Bank of England.

1733. That was a failure?—Well, it was no failure; it was no part of the Government scheme.

1734. I mean there has been no great amount of gold dealt with under that?—None whatever, but it was a measure desired by the mercantile community to avert a monetary panic.

1735. Now there is another point. You have told us about the high bank rate. Has that rate been as high as the discount in the bazaars?—No, my experience is that the rate of discount in the Calcutta bazaars has not been so high as the bank rate. During the recent period of stringency I know I had some bills to discount and I went and asked the rates for discounting them, and I was quoted in the bazaar 8 per cent. I was quoted by the Bank of Bengal 13½ per cent. I did not discount the bills, but those are the quotations that were given to me.

1736. That would imply that the native banker had available capital to dispose of?—No doubt he had capital to dispose of at a lower rate than one could get from the exchange banks.

1737. Then do you think that the present monetary system of having a varying rate for the rupee and no guaranteed minimum is likely, unless it is altered, to lead to constantly recurring periods of stringency?—I do.

1738. Will you just tell the Committee why?—Because the people who have money in England will not send their money out to India under the present policy.

1739. Do you mean in the absence of a gold standard?—The absence of confidence—the absence of a gold standard.

1740. I suppose what we have to-day may be called, as a distinguished authority called it, an exchange standard; the effect of the closing of the mints has been practically to create a standard of 1s. 4d.?—Yes. Through having a maximum rate for the rupee and no guaranteed minimum, monetary stringency of the most extreme character is bound to recur. The monetary stringency is due, in my opinion, to the failure to complete the establishment of the gold standard, of which the closing of the mints in 1893 was merely the first step. With an effective gold standard

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1742. And you deprecate going to a silver standard?—I deprecate going back to a silver standard.

1743. You deprecate basing the currency of India upon the intrinsic value of silver?—I do.

1744. Then what is the other alternative which you point out to the Committee?—To link the standard of India with that of the mother country.

1745. That is to establish a gold standard?—To establish a gold standard, a standard in which there will be confidence, as it is only with such a standard that we shall have an influx of fresh currency, without which the trade and industries of the country must be hampered and strangled.

1746. Will you state in your own words what you think would be the effect of the influx of fresh currency?—If my individual opinion is worth anything at all, I should like to add that the less gold that is taken by India for the establishment of a gold standard the better. Her gold indebtedness is paid in exports of produce, and anything India does to lead to the appreciation of gold will react against her by reducing the gold prices of her exports. Advocates of the single silver standard have argued for years that it does not matter what the rate of exchange was, and that the country in order to discharge its gold indebtedness would have merely to export the same amount of produce in sterling value. The argument, however, is only half true, for it overlooks the fact that the sterling value of produce in Europe almost invariably declined with a drop in the rupee. The curse of the silver standard was that, as exchange declined, the buyers of Indian produce lowered their gold prices, and India had to ship all the more produce in order to pay her gold debt. As I have pointed out, the opening of the Indian mints would be immediately followed by a decline in the rupee to 11*d.*; and arguing from past experience, there can be no doubt that the sterling prices of Indian produce would, in such an event, fall enormously. One can only speculate on the unfortunate results to all connected with India, should such a thing take place. If the gold prices of Indian produce declined to the same extent with the rupee at 11*d.*, as they have done in the past with a declining exchange, India in order to pay her gold indebtedness would have to ship an enormously increased quantity of produce, a thing that would suit the exporting merchant admirably; or to look at the question from the taxpayers' point of view, there would be the burden of the direct annual additional taxation of 11 to 12 crores of rupees, to which I have already referred, and which would be necessary if the rupee went to 11*d.* as against 1*s.* 4*d.*

1747. What would be the effect of establishing a gold standard in India, in your opinion?—The effect would be, in my opinion, to stop the lowering of gold prices of Indian produce. Other countries that have depreciating standards may follow this course, but with India out of the race to amass wealth in a depreciated standard, there would be one competitor the less—and perhaps the greatest sinner in that respect—to reduce the gold prices of produce. The world has declared for gold, and, when all countries are on a gold basis, gold prices will be regulated solely by supply and demand, and will cease to move with the fluctuations of silver as compared with gold.

1748. Do you think that India will be able to pay her indebtedness on a gold basis?—With regard to that I should like to point out that given a standard in which the world will have confidence, there can be absolutely no doubt that the influx of British capital into India will be immense, and as there is no question that India's fertility and her immense labour supplies give her great advantages over most other countries, the result can only be a prosperous India. Can it, I ask, be argued that a country, amply supplied with capital, whose taxes and prices are on a gold basis, is in a worse position to pay her gold debts than a country whose capital and taxes are based on a metal of fluctuating sterling value, for which there is no market outside her own shores?

1749. When you use the phrase "gold standard," do you favour the proposals of the Government of India, or do you favour any other proposals which have been made in India for establishing a gold standard, or do you favour what was the view of Lord Welby and Lord Farrer upon the Currency Commission of 1893—the absolute convertibility of the rupee?—I think that the rupee should be made convertible as soon as it can with safety be made convertible.

1750. That is rather a wide margin. I suppose you mean by that that, a gold standard being established, the rupee then should become purely token currency?—Yes.

1751. But a token currency convertible as the silver currency of this country is convertible?—Yes.

1752. Would you put any limit upon its legal tender? At present silver is an unlimited legal tender in India?—Yes.

1753. Do you think it would be possible to alter that?—I should not alter it.

1754. You would leave that alone?—I should leave that alone.

1755. Then what would you propose next, that a definite quantity of rupees, or that rupees required only for exchange purposes, should be made convertible?—My point is that it is necessary to give confidence to the standard of India, and in order to do so, I say the only way is by making the rupee convertible.

1756. Of course, that involves a great, or at all events a considerable, diminution in the amount of rupees in circulation?—Not necessarily.

1757. You would not contemplate the opening of the mints?—No.

1758. Then, closing the mints, at once admits the principle of restriction?—Undoubtedly.

1759. How would you carry that out?—The question of convertibility?

1760. Yes?—That is a scheme I should like to leave to the very best expert opinion.

1761. But we are regarding you as an expert?—I do not profess to be that. I profess to know what effect the balance of trade has had upon the exchange of India, but I am not a currency expert.

1762. Now the every-day transactions of India, I suppose, in purchases and sales in the bazaars, and the payment of wages, and the buying of food, and other matters, are all small in amount?—Very small.

1763. I mean, as compared with similar transactions in this country?—Very small.

1764. And I suppose, whatever step was taken with reference to standard, the popular currency must be of a very small value?—Quite so.

1765. Assuming the absolute convertibility of the rupee into gold, and *vice versa*, could gold be used in the daily transactions of India to any extent?—No, it could not.

1766. I suppose that even in a great many transactions in India silver is not used?—Copper is used, and cowries are used.

1767. Have you any idea in your own mind as to the proportion of currency that is in the circulation—whether copper is very much behind silver in volume or approaches it?—I do not think the Government of India copper coin is used to any very great extent. The copper coins I see mostly in the bazaars are what are called dubs.

1768. Is the rupee the smallest silver coin in India, or are there smaller coins?—We have the half rupee, 4 annas, and 2 annas.

1769. All in silver?—All in silver.

1770. An anna is equivalent to a penny?—Yes.

1771. And you have a silver coin as low as 2*d.*?—Yes.

1772. You have no higher silver coin than the rupee?—No.

1773. When there was a gold currency, as there was up to the time of Lord Dalhousie in India, what was the highest gold coin then?—The gold mohur.

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1774. What was the value of that ?
(*Sir D. Barbour.*) Sixteen rupees; it was coined at 16 to 1.

1775. (*Chairman.*) Then from all this we may gather that your opinion would be that even if there was a gold standard there would not be a large amount of gold required for internal use?—Just so.

1776. I suppose the larger amount would be required for adjusting exchange?—For adjusting the balances, yes.

1777. Now, how would the establishment of such a standard affect either the London markets or the general markets of the world, having regard to the production of gold in the world, and the amount that would be absorbed in India?—People say that the British Government are not so foolish as to give a guarantee to the convertibility of the rupee, because there would be no end to the demand for gold or for gold bills on London by Indian speculators.

1778. What is your answer to that?—I think that that is a complete mistake. It is not the practice of speculators to buy anything when at its maximum price, and the gold bills will only be sold by Government when exchange is at its lowest, that is to say, when gold is at its top price.

1779. You assume that they would only part with the gold when it was at its maximum value?—I say it is not the practice of speculators to buy anything when at its maximum price, and the gold bills will only be sold by Government when exchange is at its lowest, that is to say, when gold is at its top price. Remitters for purposes other than speculation in gold or exchange—

1780. That would be the ordinary merchants?—The ordinary merchants might buy the gold bills to a large extent at times, but it is to be recollected that every million sterling remitted in this way would mean the withdrawal from Indian circulation of a crore and a half of rupees, and as this curtailment of circulation tends to increase the supply of trade bills and diminishes the demand for remittance, remitters would be driven by the "logic of events" sooner or later to abandon the business. Personally I think a guarantee of the convertibility of the rupee should be given by the British Government. I say that because there is a disposition in some quarters to decline to allow India to have a gold standard, for the sole reason that it may upset the London money market. If India desires to have as the basis of her currency system a standard which is acknowledged to be the basis of Great Britain's commercial supremacy, Great Britain, while refusing the gold necessary to make India's gold standard effective, cannot, in justice to India, also refuse to give that guarantee of convertibility which for the purposes of the Indian currency system would be as good as gold.

1781. I do not quite understand what you mean by guarantee?—Guaranteeing the convertibility of the rupee.

1782. But in what shape or form? Let me put an illustration. The British Government does not guarantee the convertibility of the shilling?—But the shilling is practically convertible; it passes from hand to hand.

1783. But that is under no guarantee of the Government?—Still there is confidence in the currency of England, and therefore the shilling is passed from hand to hand.

1784. Is not that rather owing to the fact that there is a limit to the supply of shillings? Let me put it in this way: The convertibility of our silver currency would go to-morrow if there was an unlimited coinage of it. You are probably aware that no one has a right to take a bar of silver and have it coined at the Mint; the Bank of England have no such right. The Government only coin what, acting under the advice of the Bank of England (which is the best advice, of course, they can get), they consider necessary for daily use. Its convertibility does not depend on the Government guarantee, it depends on

there being as many people wanting shillings for the purposes of our daily business as there are shillings to be had, and the fixed value of that shilling is the twentieth part of a sovereign?—Yes.

1785. Now just apply that to India. The Bank of England, when it issues a 5*l.* note, guarantees that there are five sovereigns behind it, and it is bound to pay five sovereigns for a 5*l.* note, but the bank guarantees nothing with regard to silver?—I quite understand that.

1786. Now just apply those principles to India?—It would be impossible for any Government to guarantee convertibility if the mints were opened to the free coinage of silver; but if there is a restriction on the coinage of silver, I do not see myself why the convertibility should not be guaranteed. It would not be possible with open mints.

1787. That we are agreed upon. Now let us take the argument a step further. Assuming a restricted volume of silver currency, how does the guarantee come in? Is the Government to be bound to give to everybody who tenders them 15 rupees a gold sovereign?—I should suggest that it is the only way to make the gold standard effective.

1788. I want you to explain that to the Committee?—All economists without doubt are agreed that exchangeability at a fixed rate will alone give fixity of exchange.

1789. But I do not see where it is accompanied by a guarantee?—I do not think any country guarantees convertibility, but there is practically convertibility in most countries. For instance every person who sends gold to France knows that he will get it back.

1790. But if you present a cheque on the Bank of France they are not bound to pay it in gold?—No.

1791. The silver received is practically of no advantage for the purpose of remitting?—No.

1792. Then will you apply that to India?—All I say with regard to India is that the capitalist ought to be put in a position, if he remits 1,000 sovereigns to India, to be certain of getting them back again.

1793. I do not want to reopen that argument. I agree with you there for the purposes of this examination, but I want to see how that practically can be carried out?—That is a thing I cannot give evidence upon, because, as I say, I am not a currency expert.

1794. But I want to deal with you as a practical man of business. Is not the mode in which it is carried out in all the countries of the world by the supply of token silver currency being not in excess of, but equal to, the demand?—Yes.

1795. That is what regulates it?—Yes.

1796. If you can suddenly flood any country with silver token currency—flood it far beyond the demands of the people—then your convertibility is gone?—Certainly.

1797. Now will you give us your opinion as to what you think the rate of convertibility should be?—I think it would be a mistake to alter the present rate of 1*s.* 4*d.*

1798. I want to know why. If there were three propositions before the Committee—one to have the rupee at 1*s.* 2*d.*, another to have the rupee at 1*s.* 4*d.*, and another to have the rupee at 1*s.* 6*d.*, which of those three should you favour, and why?—I should favour the 1*s.* 4*d.* rate.

1799. Why?—Because in the first instance I think prices in India have adjusted themselves to the rate of 1*s.* 4*d.*

1800. You think they have?—I think they have, in the way of contracts for exports and imports.

1801. And wages?—Wages have not moved.

1802. You think not?—I think not.

1803. Have you anything else to say upon that?—I think if the 1*s.* 4*d.* rate were abandoned, say, for 1*s.* 3*d.*, people would at once say that the Government of India had given way in the matter of their rate; and if they lowered it to 1*s.* 3*d.* it might go down to 1*s.* 2*d.*, and if it went down to 1*s.* 2*d.* it might go down lower still. The result of lowering

the rate from 1s. 4d. to 1s. 3d. or 1s. 2d. would be, I think, to destroy all confidence in the ability of the Government to maintain the rate which they fixed for the standard.

1804. There is a great deal more discrepancy, you know, in the value of the English shilling—its circulating value and its bullion value—than there is in the rupee. Taking the rupee now at 1s. 4d., its intrinsic value, I think Mr. O'Connor said, was 10d. Then, I think, the value of the shilling is 5½d. That is a much greater discrepancy?—Yes.

1805. Will you read to us what you said on the 21st January last, in the Viceroy's Council, as to the position of the Government of India with reference to exchange?—My remarks were as follows:—"My Lord, I hold in my hand a statement which shows the amount of money which would have been saved if the rupee had been maintained at 1s. 4d. during the financial years of 1894-5, 1895-6, and 1896-7."

1806. You will put in that statement?—Yes. (*The witness subsequently put in the following statement:—*)

STATEMENT showing the Amount of Money which would have been saved if the Rupee had been maintained at 1s. 4d. during the Financial Years 1894-95, 1895-96, 1896-97.

Council Bills.

Year.	Amount drawn.	Actual Exchange.	In thousands of Rupees.	
			Exchange at 1s. 4d.	Difference in Exchange.
1894-95	30,96,99	14,06,48	10,32,33	3,74,15
1895-96	31,08,54	13,42,09	10,36,18	3,05,91
1896-97	25,78,70	10,26,05	8,59,57	1,66,48

Exchange Compensation Allowance.

Year.	Actual Charges.	Average Rate of Year.	Estimated Amount at 1s. 4d.	Difference.
1894-95	1,24,96	1s. 1 $\frac{3}{4}$ d. = 16·637%	46,94	78,02
1895-96	1,33,82	1s. 1 $\frac{3}{4}$ d. = 17·930%	46,64	87,18
1896-97	94,33	1s. 2 $\frac{1}{8}$ d. = 12·905%	45,68	48,65

Pay of British Soldiers.

Year.	Actual Rate of Exchange fixed.	Deficiency from 1s. 4d.	Estimated Saving in Expenditure.
1894-95 -	1s. 1 $\frac{3}{4}$ d.	2 $\frac{1}{4}$ d.	37,84
1895-96 -	1s. 1 $\frac{3}{4}$ d.	2 $\frac{3}{4}$ d.	49,38
1896-97 -	1s. 1 $\frac{3}{4}$ d.	2 $\frac{3}{4}$ d.	44,25

The savings may be taken at the following amounts:—

Year.	Council Bills.	Exchange Compensation Allowance.	Pay of British Troops.	Total.
1894-95 -	3,74,15	78,02	37,84	4,90,01
1895-96 -	3,05,91	87,18	49,38	4,42,47
1896-97 -	1,66,48	48,95	44,25	2,59,38

Summary.

Rs. 4,90,01,000
" 4,42,47,000
" 2,59,38,000
Rs. 11,91,86,000 @ 1s. 4d. = 7,945,733l.

The saving which would have been made on Council bills in exchange compensation allowances and on the pay of British soldiers in these three years, would have been 11·910 crores of rupees, which at 1s. 4d. exchange is equal to 7,945,000l. That would have been the saving in the three years. "This sum would have paid interest on a conversion fund of 88,000,000l. sterling, which is equal to 132 crores of rupees. Mr. F. C. Harrison, who is an authority on the subject, estimates the total rupees in circulation at 120 crores. While giving these figures I have no intention of hazarding an opinion as to what sum is required to for an adequate conversion fund. I think it sufficient to point out that one of two things must be faced:—(a) either an automatic machinery which will fix exchange, and may cost something, or (b) a decline in exchange. Which of these courses, I would ask, would be the more costly? It is needless to ask which is the more beneficial. It is argued that it is impossible to estimate to what extent a conversion fund would be drawn upon, and that, therefore, the amount required to form a conversion fund is indefinite. Equally indefinite is the loss which will be occasioned by a decline in exchange. The cause is precisely the same in both cases. The unfavourable balance of indebtedness that would lead to large demands on a conversion fund, would equally cause a decline in exchange. The figures which I have given would seem to show that it would be better in the interest of the finances of India to fix on a sound conversion scheme than to continue the policy of waiting with all its uncertainties, the disastrous fluctuations in exchange, and its periods of excessive monetary stringency." That is the position which I put before the Viceroy's Council.

1807. Have you anything to add to it to-day?—I have merely to add that Sir James Westland gave no answer to it. I think my argument was unanswerable. I would add here that the uncertainty caused in the matter of taxation by the constant fluctuations in the rupee—more especially by the constantly downward course of the rupee, which meant steadily increasing taxation—was a grave political danger in India.

1808. Do you think it is possible now to impose additional taxation in India at the present time?—I believe it is not possible to impose any great additional taxation without the chance of serious political trouble in India.

1809. And I suppose I may ask you if it was the general opinion, both of the Indian Government and the Indian commercial community, that the imposition of the import duties of 1894 was an absolute necessity on public grounds as well as on financial grounds?—Yes.

1810. Was it a matter, as I told the House of Commons, of public safety as well as financial necessity?—Yes.

1811. (*Lord Balfour of Burleigh.*) There are two points that I should like to clear up for my satisfaction. You said, early in the course of your evidence, that it is a well-known fact that the exchange banks, without exception, have remitted their capital to England, because they distrust the silver standard. Will you give me the year to which you refer in which those transactions took place?—I think in the year 1893 some of the banks remitted their money; in 1894 some of the banks remitted their money. I know that one bank remitted its money last year.

1812. What was the process—how was it done?—I suppose they bought bills of another bank or bought mercantile bills.

1813. But you put it as a well-known fact and so indisputable that I thought you would be able to tell us of your own knowledge how it was done?—In the ordinary way in which any remittances are made. If I wanted to remit 10,000l. from India, I should buy 10,000l. worth of bills from one of the banks, and send them to my agent in London. I suppose that is the way in which it would be carried out.

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1814. Was it announced at the time that they did it, or how did you acquire the information?—I have seen it in bank reports and I have been told by bank managers.

1815. Will you put in (I do not mean now, but when you correct your evidence) some of those reports?—I think I can do so. *The witness subsequently put in the following :—*

(1.) Extract from the Fifty-third Report of the Directors of the National Bank of India, dated 27th February 1894 :—“In view of the recent fall in Indian exchange, and the great uncertainty as regards the future, the directors believe it will be satisfactory to the shareholders to know that the rupee capital was brought home from India before the fall occurred at an average rate of 1s. 3½d. per rupee, so that the whole of the bank's capital is now held here in actual sterling, and is consequently no longer liable to be affected by exchange fluctuations.”

(2.) Extract from the Report of the Directors of the Agra Bank, dated 8th March 1897 :—“It will be seen from the balance sheet that at 31st December last half of the bank's capital had been converted into sterling. Your directors are pleased to notify that the conversion of the remaining half has been fixed during the current half year.”

1816. I think you say, and, probably most people would agree, that capitalists will not risk their capital unless they see a chance of getting back their capital when they want it?—Quite so.

1817. But you gave as an exception (in which I think everybody will also agree) that the thing which would tempt them would be the certainty of getting a high rate of interest?—Yes.

1818. What rate of interest do you point to as sufficient to tempt capitalists to risk their money in that way?—I think 10 per cent.

1819. But they have been paying more in India, have they not?—On industrial concerns?

1820. Yes?—Some industrial concerns have paid more and others less.

1821. The bank rate you say has gone to double figures—up to 13½ per cent. I think you said?—12 per cent. I think.

1822. That is not enough to tempt capitalists, you think?—No. I do not think it is, because people do not know at what rate they will get their capital back.

1823. You said that a high rate of interest would tempt them; I understood you to say just now that 10 per cent. would be enough?—10 per cent. as a permanent investment. The bank rate is only temporarily 12 per cent., at all events we hope so.

1824. But can you tell me what the average rate round the year is, either in Calcutta or Bombay, for loans on good security?—That is a question that it is difficult to answer owing to the monetary stringency of the last two years: but I should think anyone sending out money to India during the last two years would have got an average of 8 per cent. on undoubtedly good securities. That is a rough guess.

1825. You stated, I understand, in answer to the Chairman, that every independent nation had discarded a silver currency?—Yes.

1826. Is that so?—Excepting Mexico.

1827. There may be something about the expression “independent nation.” I do not know whether in recent times I should call China an independent nation?—I do not think China is quite a silver country. Her mints are not open to the free coinage of silver.

1828. What is your definition of an independent nation that has discarded her silver currency?—An independent nation I should say is a nation that has got absolutely free control of its own affairs.

1829. But China is an example which breaks down your proposition?—I should say China is not a civilised nation.

1830. Then I am to put in “civilised” nation?—Yes. Besides, I think I am right in saying that

China is not exactly on a similar basis. It is not a country with open mints.

(Sir A. Dent.) There was no mint at all until a short time ago in China, and they coin now copper cash.

1831. (Lord Balfour of Burleigh.) In the course of your examination by the Chairman considerable reference was made to the opinion of those who are interested in tea and their desire to have a low exchange, or as you correctly, I think, put it, a falling exchange, on the ground that they got more rupees for the sovereign in respect of the produce which they delivered in this country, and you then went on to say that wages had adjusted themselves?—Wages ought to adjust themselves.

1832. You did not commit yourself to the opinion that they did adjust themselves?—I think I have committed myself to the opinion that wages have not altered in India so far.

1833. So that to that extent, for what it is worth—I do not say that it is worth everything that is put upon it—the advantage to the producer of getting more rupees for his sovereign, is a considerable advantage to him?—It is an advantage as far as labour is concerned, but I wanted to point out that in connection with the tea garden coolie, the tea garden coolie, who is under what is called Act 1, has got to get so many maunds of rice from the tea garden employing him at a fixed rate. The fixed rate is, for example, Rs. 2/14—at all events it is a very much lower rate than the rate at which rice can be bought now, and the tea garden proprietor has probably to pay Rs. 3/14, or perhaps Rs. 4/14 per maund for his rice, and in that way he loses so much of the apparent gain that he makes by a low exchange.

1834. My object in putting the question was this: I wanted to find out whether in your opinion wages did or did not adjust themselves. If rice costs more, wages did adjust themselves?—Yes, that is as regards certain coolies. All coolies are not under Act 1; some are under other Acts, and the tea garden proprietors have not got to pay these coolies in rice, and as far as I know they do not pay the coolies any more than they did. I think myself wages have not moved in India.

1835. Not at all during the period when the rupee was at its lowest?—I think not. In connection with skilled labour prices have advanced. I am referring to labourers such as the weavers in the jute mills. That is another matter.

1836. At a later period of your examination you use the expression that the rupee should be made convertible as soon as it could be made convertible with safety?—Yes.

1837. What is the test of safety which you would apply?—That there should not be a breakdown; that if Government undertake convertibility they should so arrange it that there shall not be a breakdown in the scheme.

1838. I want to elicit from you what is a test which would in your opinion make it safe for the Government to take the particular course which you recommend?—The Government would have gradually to acquire a stock of gold.

1839. May I ask what stock of gold would make it safe?—That is a point I should like to leave to currency experts.

1840. You say it would be safe for the Government to give the guarantee which you suggest of the absolute convertibility of the rupee because, as you expressed it the option would remain with the Government. The passage in your evidence that I have in my mind, is this: “People say that the British Government are not so foolish as to give this guarantee, because there would be no end to the demand for gold or for gold bills on London by Indian speculators. That is a complete mistake. It is not the practice of speculators to buy anything when at its maximum price, and the gold bills will only be sold by Government when exchange is at

"its lowest." I do not want to put words into your mouth that you did not use, but I took down your words at the time. You said that this in effect would give the Government the option when it would and when it would not sell gold bills?—I think if the rupee was convertible you would always have to be prepared to sell gold for rupees.

1841. That was the next question I was going to put to you. Therefore, the option would not remain with the Government?—No.

1842. Therefore, if anyone took it into their heads to demand gold, having rupees to give for it, the Government would be obliged to accommodate them?—Yes.

1843. Is that a position which you think would be safe for the Government of India?—Only with a sufficient guarantee—a sufficient gold reserve. They could not do it without that.

1844. You will not commit yourself as to what would be a sufficient gold reserve?—I cannot say. I should not like to hazard an opinion.

1845. (*Sir D. Barbour.*) You referred to a depreciating standard, what do you understand by a depreciating standard?—A depreciating standard is one under which the rate of exchange is constantly declining.

1846. The rate of exchange with what?—With gold.

1847. You take gold as absolutely stable?—Yes.

1848. Do you know that some people say that gold is an appreciating standard?—Yes.

1849. And you know that gold prices vary?—Yes.

1850. And also you know that silver prices have latterly tended to rise very much; there has actually been a rise in silver prices?—Yes.

1851. So that with reference to commodities gold has appreciated, and with reference to commodities silver has been depreciating in recent years?—Yes.

1852. Then, I think, the first evil of the present state of things, which you call the transition state, is the fluctuations in the value of the rupee?—Yes.

1853. Are they greater than before the mints were closed?—I should think they have been rather greater than before the mints were closed, except in 1890.

1854. That was an exceptional year altogether?—No doubt.

1855. But now they are rather worse?—Rather worse and more unexpected.

1856. The next evil is the high rate of discount?—High rate of discount.

1857. Are those the two evils of the present day?—Those are the two.

1858. There is no other that you are aware of. I do not suggest that there are any others. I merely ask whether any others have come to your notice?—Those are the two great evils.

1859. Of course, the high rate of discount to some extent tends to correct itself; that is to say, money becomes more profitable in India, and people for the sake of a high rate of discount are more likely to send money there?—But they do not, as there is no confidence in the standard.

1860. That is on the other side, but the high rate of discount would induce people to send money there?—It ought to do.

1861. I suppose the banks have raised the rate on fixed deposits?—They have.

1862. And if there was money to be had in the bazaars at 8 per cent. it is possible that some of that money would be attracted to the banks. That would be the tendency, would it not?—I do not think the natives lend money to the banks. I mean the bazaar money does not go to the banks.

1863. If you can only get 8 per cent. in one street in Calcutta, and you can get 12 per cent. in the next street, the chances are that some of the 8 per cent. money would flow to the other street; that would be the tendency?—Yes.

1864. You are aware that there has been a rise in exchange from 1894 to 1898, that is taking it year by year?—Yes.

1865. What do you think is the cause of the rise?—I think that is due to the gradual contraction of the currency.

1866. I do not know whether you would expect the contraction of the currency to cause a fall in prices?—A fall in rupee prices?

1867. A fall of rupee prices?—I think it would.

1868. One theory of the economists is this, given a certain rate of exchange and a fall in prices, it at once becomes more profitable to export, and less profitable to import, the rate of exchange being the same, therefore the rate of exchange turns in favour of the country where prices fall. That is the common theory. Now do you know any way in which the contraction of the currency would affect the rate of exchange otherwise than by lowering prices in India?—I do not think I do.

1869. Have prices fallen in India?—Prices have not fallen so far.

1870. That makes it difficult to see how the contraction of the currency could have caused the rise in exchange?—The two last years I may say have been abnormal years. It is difficult to talk about prices now, because I think, as I say, we are still in a transition state.

1871. It is very difficult to deal with prices in India; some rise and some fall, but I want to point out this. It is commonly considered that contraction of the currency causes a fall in prices, and that the fall in prices causes a rise in exchange, but you say that so far in India you cannot point to that fall in prices?—No.

1872. Now do you think the exchange will continue high under present conditions, I mean present conditions as regards the gold standard?—I think the exchange must continue high.

1873. You think it will continue high?—It must continue high.

1874. Why?—On account of the contraction of the currency.

1875. You have no doubt that the present rate of exchange will be maintained?—I think so.

1876. There is no fear of a fall?—No, so long as export business is going on to a moderate extent.

1877. Will the time come when exports will not go on to a moderate extent?—Well, take the case of a famine, for instance, which I hope we shall not see. With exceptions of that kind I do not see why export business should not go on.

1878. You have no fear about any fall of exchange?—Not at present.

1879. I do not know what you understand by the words "at present." Are you satisfied that the contraction of the currency has now brought the exchange to a point at which it is likely to remain permanent?—I think that is so.

1880. Would you as a business man have sufficient confidence in the exchange to send your money out to India to get this high rate of discount? You say you are confident that the exchange will remain permanent. Have you sufficient confidence to send your own money out?—Yes.

1881. And you have only to persuade people into having the same confidence and their money will go to India?—Yes. Of course you have against India the possibility of the exchange going down, but I do not see myself how exchange would go down under the present policy.

1882. You say another famine might cause exchange to fall?—Yes, because there are fewer exports to go forward in a time of famine.

1883. How do you account for the fact that the exchange rose last year though there was a famine?—During that period the Government had to expend a great deal of money on the famine and for war purposes.

1884. But were exports stopped last year?—I think to a great extent.

1885. Then how did the exchange keep up if exports were stopped last year?—Well I think it was the reduction in the sales of Council bills.

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1886. Larger sales might put the exchange down?—Yes.

1887. And shorter sales put it up?—Yes.

1888. Do you think the proposals of the Government of India as to melting down of rupees would affect exchange?—You mean the recent proposals of the Government of India?

1889. Yes, I am referring to the recent despatch?—Personally I do not like the idea of melting down rupees.

1890. I do not imagine that anybody likes the idea very much; but would you approve it in all the circumstances of the case?—It depends very much whether the currency is redundant or not.

1891. How would you test the redundancy?—That is very difficult to answer.

1892. Then you do not approve or disapprove. You do not like melting down rupees, but you are not prepared to say that you disapprove of these proposals?—I disapprove of these proposals if the currency is not redundant.

1893. But you are not prepared to say whether the currency is or is not redundant?—No.

1894. If the exchange is now at 1s. 4d., and likely to remain there permanently, currency can hardly be described as redundant?—Quite so.

1895. You talked in a part of your evidence of the uniformity of value of the standard. I do not know exactly what you mean by that?—I did not use that phrase.

1896. I suppose you admit that uniformity of value is impossible in anything?—Yes.

1897. Now as regards the argument that the standard that was not good enough for Messrs. Ralli Brothers and the exchange banks, was not good enough for India. I believe the Presidency banks have their capital raised in rupees?—Yes.

1898. And they have never transferred to a gold basis?—No.

1899. And on the whole they have been doing very well?—Yes.

1900. And the native bankers whose capital is in rupees have never shown any tendency towards a gold basis?—No.

1901. It is very much a question of where the capital is raised. If you raise your capital in gold you do not want to put it into rupees, which may fall in value, but if you raise it in rupees you feel pretty safe?—Yes.

1902. Before 1873 there was confidence in silver?—I understood so. I cannot go so far back.

1903. Do you know if before 1873 there were these high rates of discount in Calcutta?—I cannot tell you.

1904. You do not happen to recollect the very high rate of discount at the time of the American cotton famine?

(Mr. Campbell.) It rose tremendously then. That was in 1865.

(Sir D. Barbour.) You do not happen to remember that?—No.

1805. I thought you might have read of it?—I think I have.

1806. How about capital going to India? Capital of course may go to India for a great many purposes, but I think we may roughly classify the remittances of capital to India into two categories: capital for banking purposes, to be used for buying bills lent out for 5 or 6 months and coming back again, and capital for the purpose of investment in tea gardens or jute mills. The capital that goes out for the purpose of investment in tea gardens or jute mills becomes fixed?—Yes.

1907. And in the case of capital that goes out for banking purposes it remains in Calcutta or Bombay; it is lent out and comes back?—Yes.

1908. Now it is quite possible that a low exchange might make it exceedingly profitable to send out money for investment in tea gardens. And that might be sufficient to overcome the reluctance of people to put their money into silver?—Yes.

1909. But that cause would not operate in the same way in the case of money sent out for banking purposes?—No, unless the rate of discount remained permanently high.

1910. You know, of course, that the supply of capital in India has always been rather limited, especially banking capital?—Yes.

1911. And the banks have remitted a great deal of their capital away from India—the European banks I mean?—Yes, and also the holders in India.

1912. The people who are in the habit of placing their money on deposit?—Yes.

1913. You mentioned the remarkable fact that the money in the hands of the natives in the bazaars, the native capitalists, seems to be more plentiful, that is to say, you were able to get it at 8 per cent.?—It certainly has been lower.

1914. I am not questioning it in the least. I merely ask you if the fact that money was more plentiful with them does not corroborate the statement that money has been sent by the European banks out of the country?—Yes, it does.

1915. The bank of Bengal has a capital of Rx. 2,000,000. The closing of the Indian mints did not reduce the capital of the Bank of Bengal in any way. It lent out its Rx. 2,000,000, and got them back again and lent them out again?—Yes.

1916. So that all that money is still available in the Bank of Bengal?—Yes.

1917. And if there was any exchange bank which had its capital there in whatever form in Calcutta, and continued to use it in Calcutta for banking purposes, the closing of the mints would not have reduced the available capital by a single rupee?—Not the capital of the bank.

1918. Nor would it have reduced the capital that was made available to the banks by means of fixed deposits, unless of course a depositor withdrew his deposit?—Just so.

1919. But whatever capital was available at the closing of the mints remains there still unless it has been lost or remitted out of the country?—I think so.

1920. The closing of the mints does not affect the actual existing supply of banking capital. It is possible that there may be less accumulation of new capital?—It affects banking capital in this way. The capital of the exchange banks has been remitted out of the country.

1921. But the mere closing of the mints by itself does not reduce the amount of the banking capital that was available in India at the time the mints were closed. If it is followed by remitting out of India, that, of course, is a different thing?—Just so.

1922. You mentioned that banks were afraid to remit silver to China, but do not they in point of fact send their silver to China?—Well, I got my information from two bank managers in Calcutta—that the banks in London were afraid to send capital to China in the form of silver.

1923. But silver does go there?—Oh yes, but not to a sufficient extent.

1924. We had evidence to the effect that there was a very great deal of silver in Bombay, all of which went out to Singapore and the East, and in that direction. There is much more than there used to be?—Yes, but I am speaking of the present time.

1925. This bank friend of yours said the banks were afraid to send silver to China, but, in point of fact, silver has been going largely into China?—Yes, but it may not have gone in sufficient quantities for the development of Chinese industries.

1926. I suppose the large exports of wheat this year from India are very largely due to the high prices in this country?—I should say entirely due to the high prices in this country.

1927. There was a good crop in India?—A wonderfully good crop.

1928. And an unusually high price here?—Yes.

1929. Now you said that every independent civilized nation is adopting a gold standard, or has been moving towards a gold standard?—Yes.

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1930. You also say that the establishment of a gold standard in India might have a serious effect in the way of appreciating gold?—I did say that; not a very severe effect.

1931. Of course, if that is the case, the large accumulation of gold by Russia has appreciated gold?—Yes.

1932. And the same thing has happened in the case of Austria?—No doubt.

1933. Do you not think that, if there was any serious apprehension of that appreciation of gold, the proper course for the nations to adopt would be to cease to accumulate gold? If it is really the case that the establishment of a gold standard by India introduces a serious appreciation of gold, would it not be advisable, not only for India but for other countries, to think twice about extending the gold standard?—To India?

1934. To any country?—A country will not establish a gold standard if she does not wish to do so.

1935. The less gold she takes the better. Take the case of Russia. Russia had a large amount of gold to pay; she is a debtor country; she has accumulated an immense quantity of gold. Do you think she is wise in doing that?—I think that is the only standard she has.

1936. But if extending the standard introduces a dangerous appreciation of gold, it could hardly be a satisfactory standard?—It is a better standard than silver.

1937. It is a choice of evils?—It is a choice of evils.

1938. You said that as the rupee fell, gold prices fell?—Yes.

1939. Do you mean more than that the two things were simultaneous or closely related to each other? Would it be possible to argue, for instance, that it was the fall of gold prices that brought about the fall of the rupee?—I should say it was not.

1940. If gold prices in England fell, from whatever cause, that would cause a fall of the rupee, would it not?—Not necessarily, I think.

1941. You think not?—No.

1942. Now take this case. A man buys 1,000 rupees' worth of wheat, and he can sell it in England for 100*l*. Then the exchange at that time would be 1,000 rupees against 100*l*, 10 rupees to the *£*?—Yes.

1943. Supposing that owing to the abundance of wheat the price of wheat falls to 50*l*. and he buys 1000 rupees' worth and sells it at 50*l*., and the exchange is only 20 rupees to the *£*. In that case would not the fall in the price of wheat lower the value of the rupee?—I cannot quite follow that.

1944. If you can buy 1000 rupees' worth of wheat in India and sell it in England for 100*l*. you get 10 rupees for a pound?—Yes.

1945. If you can only sell it for 50*l*. then you only get a sovereign for 20 rupees?—Yes.

1946. The exchange has fallen?—Yes.

1947. That is a case, is it not, in which a fall in the gold price of wheat, other things being equal, produces a fall in the gold value of the rupee. I do not think there is anything unusual in that. It is what the books generally say?—Well, I do not quite follow it.

1948. Then you said that the Government of India had fixed 1*s*. 4*d*. as the rate of conversion. H : the Government of India ever committed themselves to that rate? Are they bound to it?—The Government of India declared that they would exchange rupees for gold at 1*s*. 4*d*.

1949. They did that, but was not that merely a provisional measure?—I think it was.

1950. It was done in accordance with the recommendations of the Herschell Committee?—Yes.

1951. That Committee said that there should be a provisional measure to prevent the exchange getting too high?—Yes.

1952. The Government are at liberty to make it 1*s*. 6*d*.—Yes.

1953. But public opinion has in some way drifted towards 1*s*. 4*d*.?—I think it has, because the Government of India practically declared it at 1*s*. 4*d*.

1954. You think the effect has been to bring public opinion gradually towards 1*s*. 4*d*., and the Government too?—Yes.

1955. (Sir J. Muir.) You have just stated to Sir David that the Government could fix 1*s*. 6*d*.?—By notification.

1956. Is there anything to prevent its fixing a lower rate than 1*s*. 4*d*.?—I do not think there is.

1957. It could fix 1*s*. 2*d*.?—I suppose so.

1958. Regarding the exchange banks, I am afraid I am not so well up as to them as I ought to be. How many exchange banks are there in India?—I should think there are about 10 or 12. Perhaps Mr. Campbell can tell us.

(Mr. Campbell.) About 10, I think.

(Sir J. Muir.) You have, I suppose, a certain knowledge in saying that the whole of the exchange banks have remitted their capital. I am at the moment only aware of two actually having done it. Do you know of more than two having done it.

(Mr. Campbell.) Four have done it.

1959. (Sir J. Muir.) That is 4 out of 10?—But some of the exchange banks have only recently started.

(Sir A. Dent.) Almost all the exchange banks in London have done it.

1960. (Sir J. Muir.) Do I understand you to say that one of them sent home their money in 1893?—I think so.

1961. At what rate was that?—I know that one of the banks remitted it at the rate of 1*s*. 3½*d*., and another a little later on at 1*s*. 2¾*d*.

1962. (Sir A. Dent.) Another bank remitted its money about 10 years ago. Do you remember that?—Yes.

1963. (Sir J. Muir.) I think you stated at the commencement of your evidence that your experience had been rather with Calcutta than with Bombay; but during your Calcutta experience, of course, you had a great deal of experience with tea-planting. Have you not changed your views rather with regard to the closing of the mints?—When the proposal came forward to close the mints I was against the closing of the mints.

1964. So I understood?—But after the step had been taken when Mr. Robert Steel moved in the Chamber of Commerce that in the opinion of the Chamber the mints ought to be opened, I opposed his motion, and proposed a resolution that the mints should not be reopened.

1965. What led you to change your opinion?—One thing which led me to change my opinion was that silver got into a very different position after the mints were closed to what it was before; America, for instance, stopped buying; and altogether I do not think silver is a fit standard for India to have.

1966. I do not follow your argument in regard to its not being a permanent advantage to tea companies to have a low rate of exchange by selling bills upon London bankers against rupees at 1*s*. 1*d*., instead of 1*s*. 4*d*., because all the reports that have recently come out of the tea companies urge that as a reason why their results are much less this year than formerly. You know the Assam Tea Company. I have in my hand their 58th report, which was only issued yesterday afternoon. That is, perhaps, the most prosperous of all the companies; it has been very long established. Let me read you this extract from their report: "The production and manufacture of our tea during the past year have not fallen behind the results of the past season, but the circumstance that the Indian Government have been able to maintain the sterling rupee during the year at about 1*s*. 4*d*. has had the effect of considerably diminishing our profits, in common with those of all tea companies and other industries carried on in India with British capital." This report shows a net profit of 31,288*l*., and the profit of the preceding year was 43,294*l*., making a deficit of 12,000*l*., which they attribute mainly to the

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exchange being at 1s. 4d. instead of a lower rate. I daresay you have seen reports of other Indian tea companies, and you have noticed that almost without exception they refer to the exchange as the cause of their making less money?—Yes, I have seen those reports; I do not of course, agree with what is in them.

1967. (*Sir J. Muir.*) I think you mentioned that you could have discounted bills in the bazaar at 8 per cent., whereas at the bank the rate was 12½ per cent.—13½ per cent. That is the rate that was quoted to me.

1968. Is not that a very exceptional thing, because in the bazaar it is usually a higher rate of interest than in the banks?—It is a very exceptional thing, no doubt.

1969. Do not you think that this particular man wanted to favour you?—All I can say is that the bazaar rate was lower than the rate at the banks all through this last time of stringency, and I could put in evidence to show that.

1970. You know Mr. John Littleton Symons?—Yes.

1971. Are you aware that he was chairman of the Bombay Chamber of Commerce and a director of the Bank of Bombay?—Yes.

1972. You have known him for many years as a capable business man, and you would say that his evidence was worth having?—Yes; I may say that I am not talking of Bombay; I am only talking of Calcutta.

1973. Here is an extract from a letter addressed by him to me on the 3rd April last: "When I left Bombay on the 23rd of April the bank rate was 13 per cent., the same as it had been for some time past. This rate, however, was nominal to a great extent, for the Bank of Bombay was obliged to refuse loans at as high as 18 per cent., even on the security of Government paper." Now, there cannot have been money in Bombay in the bazaars, or the Parsees, or whoever they were, would not have gone to the bank at Bombay and offered to give 18 per cent. At all events, in Bombay there was obviously no such ease as you indicated in Calcutta?—All I say is, I adhere to my statement that in the bazaar the rate was lower than at the banks.

1974. But the difference between 8 and 13½ per cent. is very considerable. However, may I take it that you have a high opinion of Mr. Symons, and you consider from what you have known of him during the last 20 years that his opinion would be worth having?—Yes.

1975. And you would gather from his statements in this letter that at all events in Bombay it would not have been possible to borrow at 8 per cent.?—That I cannot say.

1976. Then did I understand you to say that you think there is no reason why exports should show a falling off?—Yes.

1977. Does that apply to Ceylon as well as to India?—It does.

1978. Are you aware that Ceylon almost entirely depends upon one industry—tea?—Yes.

1979. And an exchange rate of 1s. 4d. they regard as a rate that would ruin them?—Yes.

1980. If they are right?—But I do not agree with them. I do not think they are right.

1981. (*Sir A. Dent.*) You mentioned money not being sent out to China by the banks. I do not quite agree with you there. You talked of the money that was sent out to India to be coined. I think these dollars, about 33,000,000, which have been coined in India and sent on to the Straits and China, were chiefly to replace the Japanese yen which has been withdrawn from circulation in consequence of the gold standard being introduced in Japan, and also in consequence of the remittances of the Mexican dollars having fallen off?—I was not aware of that.

1982. The scarcity of money in China to which you refer, in my opinion is largely brought about by the war with Japan?—I do not know how that is.

1983. You say you are giving us your own views upon the matter, but that it represents a large body of opinion in India, especially press opinion. Is it fair to ask you whether that is the opinion of the planters in India?—No, I think many of the planters in India favour a lower rate than 1s. 4d.; others are satisfied with 1s. 4d., but they are in a minority, I think. The great bulk of the planters want a lower rate than 1s. 4d.

1984. We have had quite a discussion about the exchange banks remitting their capital home. Have you any idea what the amount of that capital is, because I fancy it has been much exaggerated in the minds of a good many people?—Yes, I think it has.

1984*. I am connected with one of these banks myself, and it is quite a mistake to suppose that the whole of their capital is out in the East. It is really quite a small factor?—The point I wanted to make with regard to that was that if the exchange banks, who are supposed to know most about the currency conditions in India, consider that it is a dangerous thing to keep their capital in India, does not that make other people think that it is a dangerous thing to send capital to India? That is the point I wanted to make.

1985. You said that you think 5 or 6 per cent. a low rate of interest in Calcutta. Surely that would be a very low rate. Has it not been very difficult for a great many years to borrow money at anything like 5 or 6 per cent. in Calcutta?—No, from 1890 or 1891, I should say, up to about 1895 or 1896, you could borrow money in Calcutta at 3 or 4 per cent.

1986. You could get overdrafts at the bank on your tea estates?—Yes, at 3 or 4 per cent.

1987. (*Chairman.*) Borrowing on tea estates, I suppose, is borrowing on mortgage.

(*Sir A. Dent.*) I mean overdrafts from the bank for accommodation purposes.

(*Witness.*) From 1891 to 1895 the rate in India was very low.

1988. (*Chairman.*) You did not say that the interest on permanent loans was 13½ per cent., but that the rate that day for discounting a bill was 13½ per cent.?—Yes, for a four months' bill.

1989. (*Sir A. Dent.*) But there is very little discount, I suppose, in Calcutta as compared with other trade centres?—Very little.

1990. You said that the tea planters did not suffer very much from the higher rate of exchange of 1s. 4d. because they got the benefit in stores, and therefore the cost of the stores balanced to a certain extent the higher exchange?—Yes.

1991. But surely the amount of stores that a tea estate buys in sterling in England is a very small percentage of its annual expenditure, is it not? I think if you manage a tea estate you would find that to be the case?—Perhaps so.

1992. (*Sir C. Crosthwaite.*) Has money been very dear in Calcutta, and the Presidency towns in the last two years?—That is so in certain periods of the last two years.

1993. Will you tell me what periods?—From about December until May.

1994. Can you tell me whether the same dearness has prevailed in the interior of the country?—From what I hear it has not.

1995. Supposing that the dearness has been at all caused by the closing of the mints, that has not affected the interior of the country at all?—I believe not. I have heard that the Government dues in the North-western Provinces, for instance, and in some other parts of India are payable either in grain or in coin or cash, and the natives have elected to pay in cash.

1996. You think the Government dues are payable in grain or in cash?—Yes, or rents.

1997. I can say of my own personal intimate knowledge that that is not the case. In no part of India are Government dues paid in kind. Rents over a certain area in a part of the North-western and other Provinces are paid in kind, but the land revenue is not payable in any way except in cash. Now you

know that the rate of interest in the interior is very high, as a rule?—Yes.

1998. To the cultivators and farmers it is higher than in the Presidency towns?—I imagine it is.

1999. But, so far as you know, in the last two years that rate of interest has not been higher than the normal?—I believe not.

2000. The purchase of wheat is going on very fast at present, I think, and has been for some time?—Yes.

2001. The wheat is purchased by large exporters like Messrs. Ralli Bros.?—Messrs. Ralli Bros. purchase it in Calcutta, Bombay, Karachi, and also in up-country towns. Other exporters, as a rule, only purchase in the export ports.

2002. Rallis are practically all over the country?—In a great many parts of the country.

2003. And they purchase in small quantities from the cultivators. Have they complained at all that they have not been able to get sufficient currency for their business?—I cannot say.

2004. As a matter of fact they buy the produce and ship it, or, rather, send it down by railway, and they get advances on their bills from the banks to go on with?—Yes, I suppose Ralli Brothers sell bills to the banks and get money to buy the produce.

2005. They have not had any extraordinary difficulty in doing that in the last few years?—I should think not.

2006. You admit that the power of India to pay her debt would depend on her producing power—the quantity of production for export?—Yes.

2007. But you think that India is so rich in labour and so fertile, that she will have no difficulty in producing enough to pay her debt?—I think not.

2008. Whether the rupee is raised to 1s. 4d. or not?—I think at 1s. 4d. she will be able to pay it.

2009. And you ground that belief on the fact that she is rich in labour and very fertile?—Yes.

2010. She is subject sometimes to famines?—Yes.

2011. Extensive famines?—Yes.

2012. The maintenance of the rate at 1s. 4d., and, I suppose also you will admit, the convertibility of the rupee, supposing your ideas were carried out, and the rupee made convertible for gold—both those things would depend upon her having enough produce to export?—No, I do not think the convertibility of the rupee would depend at all on the quantity of produce exported.

2013. Supposing the rupee was made convertible, and there was no produce to export what would happen?—I do not think I could suppose such a thing.

2014. We might suppose that there was much less produce to export than was necessary to pay the debt because that, I think, has occurred within recent times?—If India did not export at all she could not pay her debt.

2015. But it is possible to suppose, and I think it has occurred within the last two years, that India has not exported enough to pay her debt?—She has not exported enough on balance.

2016. I mean on balance, of course. I mean the net exports have not been sufficient to pay the debt of India?—Yes, that is the case.

2017. Suppose that that occurred over a series of years, what would happen with the convertible rupee, or rather with the gold stock, the gold reserve, which would make the rupee convertible?—Part of it would disappear.

2018. And then the value of the rupee would depend—?—Not if there was enough gold reserve.

2019. But the gold reserve you say would disappear?—If it disappeared altogether?

2020. Yes?—Well, the thing would break down.

2021. Therefore the whole basis of the thing depends really on the supposition that the produce of India, the net exports from India, will be enough to pay the debt?—Yes.

2022. Does the value of the rupee come at all into that question, I mean what is called the exchange value of the rupee?—I do not think, once it is fixed, that it will. I think India will be able to pay her debt and export her produce at 1s. 4d.

2023. But you think at 1s. 6d. she would not be able to?—It would be more difficult. It could be done, but it would be more difficult. It would require more gold.

2024. And if the rate were 1s. 3d. it would be less difficult?—Yes, but not very much, because the difference would only be 6 per cent., which is an ordinary market fluctuation.

2025. In order to make it obvious, take it at 1s., would it be more difficult to pay her debts then?—I think it would.

2026. Why?—Because you have got more debt, for one thing.

2027. Why is the debt greater?—Because the rate of exchange is lower.

2028. You mean greater in rupees?—Greater in rupees.

2029. But greater in gold?—Well, I think it would be greater in volume, because, as I have pointed out in my evidence, the gold prices of Indian produce come down with a declining exchange.

2030. Therefore, you think that with a lower rupee India would have to export more produce to pay her debts?—Yes.

2031. And with a higher rupee she would export less?—Yes.

2032. Then why should we not raise the rate to 1s. 6d. You say it should be fixed at 1s. 4d., but if we get off with much less exports with a 1s. 6d. rate, why not raise the rate to 1s. 6d.?—As I said before, I think the trade of the country has got accustomed to a rate of 1s. 4d.

2033. In fact, things have adjusted themselves to the 1s. 4d. rate?—Yes.

2034. Will you tell me how long this 1s. 4d. rate has existed?—I think it has only existed since December of last year. The year before last the rate almost approached 1s. 4d., but not quite. In December last or about then the rupee touched 1s. 4d.

2035. In any case the 1s. 4d. rate has not existed more than two or three years?—No.

2036. Then we may take it that trade can adjust itself to a rate in two or three years?—Yes, I think so.

2037. Then why not go up to 1s. 6d. and gradually go from 1s. 6d. to 2s., and so get rid of a very great burden? Take it that the trade can adjust itself to a raising of the rate in two or three years. I want to know why should we stop at 1s. 4d.; why should not we go on when things can adjust themselves so easily—go on and so save the country from this immense burden of taxation?—But you do not have stability if you go on raising the rate. I think the thing to do is to fix the rate at once.

2038. Turning to another point, you think the stringency of money—the dearthness in the money market—arises to a great extent from the want of loanable capital?—Yes.

2039. And that the loanable capital is kept out of the country by the instability of the exchange?—I think so.

2040. Do you think that the loanable capital is kept out of the country more by the fact that the rupee is prevented from rising, or appears to be prevented from rising above 1s. 4d., than by the mere instability of exchange?—I think it is kept out of the country more by the instability of exchange.

2041. But I thought that in mercantile business and in speculation—in commerce generally—you do not mind the risk, provided you see a chance of commensurate gain?—That is so.

2042. When you see that you have no gain, and that you have a very good chance of a loss, the case is different, is it not?—Yes.

2043. You see here there is a chance of a loss by the rupee falling very much, but, owing to the

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Government of India's apparent declaration—I say apparent, because, so far as I know, the Government of India has never declared that the rupee shall not rise above 1s. 4d., but that has been taken for granted generally—owing to the apparent declaration that the rupee should not rise above 1s. 4d. it is equivalent to saying to a man, “You may send your capital into the country at or near 1s. 4d.; you never can get any more, and you may get considerably less.” Do not you think that that is more disadvantageous than unstable exchange?—I understand that the reason loanable capital has left the country is that people who have money in India think that if they remitted now at the maximum of 1s. 4½d., they cannot lose money by it; they remit money now on the chance that they may be able to remit it back again to India at a lower rate.

2044. How do you account for the fact that there seems to be as much loanable capital in the country as there ever was?—The fact that what is called loanable capital is remitted to England does not mean that the currency leaves the country.

2045. But if there is loanable capital in the interior of the country, why is there not loanable capital at the centres of trade?—I take it that people who had capital to lend have it no longer.

2046. People who had capital to lend, you mean, at the great centres?—Yes.

2047. But the people who provide the capital as a whole for the interior, they being mostly natives of the country, have not sent their money out of the country?—No.

2048. They use their money as usual?—Yes.

2049. Have you considered the effect upon Calcutta and Bombay money markets of the smallness of the balances which the Government of India had in the last two years, owing to the war and to the famine?—Yes.

2050. And the fact that the Secretary of State was not able to sell his bills as usual?—Yes.

2051. Do you think that has had to do with it?—It has had a great deal to do with it.

2052. And that did not affect the up-country market?—No. I think the up-country bankers know very little about exchange.

2053. But I mean there was a great deal of money spent in the interior on war and famine and railways which would otherwise have been available in the Presidency towns for the bills?—Yes.

2054. With regard to your opinion of the richness of the country, have you lived at all in the interior of the country?—I have not lived permanently there.

2055. I take it that a man living at Bombay or Calcutta knows just as much about the interior of the country as if he lived in Regent Street?—Well, I think he knows a little more; he must know a little about it if he is observant.

2056. You have referred especially to the fact that there are two crops grown in the country?—Yes.

2057. Can you tell me about the percentage of area on which two crops are grown?—I should think it is a small area. In Bengal I have seen two crops grown.

2058. It is a very common thing to grow two crops; are you aware that, in some countries, such as Italy, as many as six crops are grown?—No.

2059. In market gardens, for instance, many crops are grown, four or five, at any rate?—Yes.

2060. Can you tell me the average rate of produce per acre of wheat, say in India, as compared with England?—No.

2061. Would you be surprised to hear that it is very much less?—No.

2062. Although India is so fertile?—No.

2063. Can you tell me the average rate of rent in India, approximately?—No.

2064. Would you be surprised to hear that it is very much less than the rate in England, perhaps a tenth?—It is very much less. I do not know, exactly, what it is.

2065. With regard to the case of the tea planter and the coffee planter. Their interests, of course, are great, but there is a far greater interest, the interest of the whole of the producers of India, the native producers, the powers of wheat, jute, and cotton that cover the country with millions of acres and millions of people. Their interests in the aggregate, I suppose, are greater than those of the Ceylon planters?—Very much greater.

2066. Do you think that their interests are exactly on all fours with those of the planters?—No, I do not think they are exactly on all fours.

2067. Will you tell me in what points you think they differ?

(Sir A. Dent.) Are they affected by the rupee?

2068. (Sir C. Crosthwaite.) First of all as to the question of labour, the cost of labour is what the planters seem to lay most stress upon; that whereas they have to pay the same price for their labour in rupees, a much smaller portion of their gold profits will suffice if exchange is low to pay those rupees than if exchange is high, is not that so?—That is so.

2069. Now, with regard to the native producer of labour. How does he pay mostly?—I think he pays in kind.

2070. Then it takes the same quantity of produce to pay for the labour, whether the exchange is high or low?—Yes.

2071. And, if the exchange is low, I suppose the price of produce in rupees would be high?—That again would depend upon the gold price of the produce.

2072. Take the gold price as constant—because there is no possibility of arguing it unless you do that—then the rupee price of produce would rise?—Yes.

2073. And if he put his expenditure on labour, which I do not suppose he ever does, into rupees, it would appear to him to be high, would it not?—Yes.

2074. Whereas if the exchange rises we must anticipate—anyhow, that is the argument—that the price of produce would fall?—Yes.

2075. In that case if he put the amount of produce that he paid for his labour into rupees he would appear to be paying less?—Yes.

2076. Therefore he would probably not complain?—No.

2077. On that point, then, they are not quite on all fours?—No.

2078. Then we come to the rent: the tea planter, I take it, pays very little rent?—Very little rent.

2079. If he pays revenue to the Government at all it is very small?—Very small.

2080. He gets his land on very favourable terms?—Especially in Assam; he pays very little for a time.

2081. The amount of profits that are absorbed in paying the rent of the plantation is small?—Yes.

2082. But the amount of the ryots' profits, the native cultivators' profits, that is absorbed in paying his rent is not so small?—It is not so small. The tea planter pays the same rate as the cultivator under the Assam land rules after, I think, 30 years.

2083. Now Sir David Barbour asked you whether high exchange should not theoretically lower prices.

(Sir D. Barbour.) I do not think I asked that question. I asked whether or not a contraction of currency would act on the exchange in any other way than by lowering prices.

(Sir C. Crosthwaite.) Yes, whether the contraction of the currency would not act on exchange.

(Sir D. Barbour.) No. I asked whether the contraction of the currency could act on the exchange in any other way than by lowering prices.

2084. (Sir C. Crosthwaite.) And you admitted, Mr. Arthur, that prices had not fallen in India of late years?—I say prices are still in a state of transition.

2085. Is it not the fact that it is the gold price that rules them?—Yes.

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2086. And the gold price of wheat has been very high?—Yes, and therefore wheat has gone forward.

2087. (*Mr. Hambro.*) If a banker or a local trader lends capital or discounts bills, does he not give the borrower currency?—Well, he may give a cheque.

2088. A cheque which is convertible into currency?—Yes.

2089. Therefore he gives him currency or its equivalent?—Yes.

2090. Is it not therefore necessary for a lender to have currency before he can lend?—Yes.

2091. If the Bank of Bengal could not discount your bills under $13\frac{1}{2}$ per cent., did not that mean that the bank was not willing to part with currency except at a high rate of interest?—It might mean that the bank would do just as well elsewhere.

2092. They did not wish to part with currency except at a high rate of interest?—Yes.

2093. Did not that mean that currency was, as far as the bank was concerned, scarce?—I think so.

2094. It would mean that what they were going to lend they had not a very abundant supply of?—That would mean their loanable capital?

2095. You have just told me that that means currency?—Yes.

2096. Would not that mean that what they are going to give you is rather scarce?—I do not quite follow that. Do you wish me to say that currency and capital are the same?

2097. I asked you first what they gave you, and you told me currency. I want to get at the foundation of the thing. They would not give you currency except at $13\frac{1}{2}$ per cent. That surely means that they had not very much currency in their till?—I do not follow that.

2098. Do you think if they had had a great deal of currency in their till they would have asked you an equally high rate of interest?—They could do so much business at that rate.

2099. The demand for their currency was so large that, supply and demand meeting, they could get $12\frac{1}{2}$ per cent. from you or somebody else?—Yes.

2100. Is it not bad for the trade of a country, when such a bank has such a demand upon it that it finds it can get $13\frac{1}{2}$ per cent?—Very bad.

2101. You did not have to discount your bills, you said, but if you had, would it not have diminished the profits of your transaction?—Certainly.

2102. You said that the banks of India had brought back their capital. In bringing back their capital did they reduce the currency in the country by one rupee?—No.

2103. So that the currency of the country or the thing that you borrowed, or that you wanted to borrow, was as plentiful after the banks had taken back their capital as it was before?—Yes.

2104. So that the bringing back of the capital of the banks from India did not by one rupee reduce the amount of rupees that there were in India for the use of the country?—Not in the least.

2105. Therefore in what sense has the rupee, the thing you borrow, been interfered with?—It is not in the hands of the people who formerly had it to lend.

2106. I want to know how the banks bringing back their capital reduced by one rupee the quantity of the thing that you wanted to borrow?—They do not reduce the currency.

2107. And the currency is the thing which you want to borrow when you discount your bills?—Just so.

2108. Is the internal trade of India larger or smaller than the external trade?—I think it is larger.

2109. Is this affected by the scarcity of currency or by the rate of exchange?—Not by the rate of exchange.

2110. Only by the currency in the country?—May I ask you to repeat the question?

2111. Is the internal trade affected by the scarcity of currency, or by rate of exchange?—I do not think

that people who do trade in the interior of the country know anything about exchange.

2112. Therefore the rate of exchange does not interfere with the bulk of the transactions of the country?—No.

2113. The internal trade, I understand, is much larger than the external, but have you any idea what the proportions are?—I have no idea.

2114. You answered just now that India was rich enough to pay her debts abroad at an exchange of 1s. 4d. Do you mean to say that she is not rich enough to pay her debt at a lower rate?—My idea about India is that she is such an immensely rich country from the producing point of view, that she could have any currency she likes.

2115. Will you kindly define, if currency is the thing that you wish to borrow, what you mean by currency and capital? I get confused between currency and loanable capital. When you discount a bill you get currency; when the banks took away their capital you say they were not taking away a single rupee, and yet it took away loanable capital. Do you mean to say that the currency of the country has become hoarded in the hands of people who will not lend it?—In the last two years a great deal of the currency has gone out of the centres, Calcutta and Bombay, say, for railway purposes, also for the purposes of the famine, also for the purposes of the war, and these rupees will not for some time find their way back to the great centres of trade.

2116. I understand that is why rupees are scarce at the centres, but you very often use the words "loanable capital" as distinguished from the currency of the country, and I want to know what was in your mind when you used the phrase "loanable capital" as distinguished from "currency," which is the thing you wanted to borrow?—I confess that is rather a difficult thing to define. I cannot define it very well.

(*Sir A. Dent.*) You would use the phrase "floating capital," perhaps. There is not enough money floating.

2117. (*Chairman.*) Supposing the Bank of England finds that there is a drain on its gold currency, what does it do to protect itself against that drain?—It raises the discount rate.

2118. Is not that an answer to the question—that the raising of the rate is protecting the currency?—Not in India.

2119. Will you point out what is the difference between India and England? Perhaps you would like to consider that question more at leisure and answer it when you come again. I understand the Indian money market is different to the English?—Entirely, because suppose we do raise the bank rate in India it does not necessarily attract fresh currency to the country.

(*Sir D. Barbour.*) As regards the Indian money market the material point to remember is this, it is not like the London money market. You have not got great supplies of gold in the provincial towns or in foreign towns close at hand, and therefore the raising of the discount does not bring in an immediate supply as it would in this country. I should like to ask one or two questions later on about this point, with a view to showing how remitting home by the banks reduces the supply of capital and currency too.

(*Mr. Hambro.*) I wanted to get, not at the academic theory of the thing, but at the absolute working of the thing. I wanted this witness to say exactly what he wanted when he went in to the bazaar to borrow. He said he wanted to borrow rupees. Then I wanted to make this clear, that unless a rupee goes out of the country—and I do not think any bank has taken any rupees out of the country—there must be the same number of rupees in the country after the banks have remitted their capital as there was before.

2120. (*Chairman.*) What do you say to that, Mr. Arthur?—I admit that.

2121. You agree with that?—Yes.

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2122. (*Mr. Hambro.*) And you also admit that when you go to the Bank of Bengal, what they ask you 13½ per cent. for is the currency?—I do not think I could admit that. May I be allowed to reply to that question later on.

2123. (*Chairman.*) You would rather like that matter deferred?—I think so.

2124. (*Sir J. Muir.*) Are we quite clear that the Bank of Bengal with 13½ per cent. might have as much currency at its hand as when the rate was 7 or 8 per cent.?—Yes, but not the other banks.

2125. The Bank of Bengal might have as much when it charged 13½ per cent. as when it charged 7 or 8 per cent.?—No. I understood the last question referred to capital.

2126. (*Chairman.*) It is like everything else, it depends on the law of supply and demand. However, perhaps we had better reserve all this until your examination is resumed?—I think I can put the thing right when I come again. I have some tables that I can show the Committee.

2127. (*Mr. Holland.*) You gave us to understand that in the evidence you are giving us you are speaking only for yourself?—I am speaking only for myself.

2128. Perhaps you would not like to say whether or not the views that you express are the views of the majority of the Bengal Chamber of Commerce?—No, I should not like to say that, but I should say that I have a great following in the Bengal Chamber of Commerce. I may mention that the Committee of the Bengal Chamber of Commerce have requested the Government that I should be allowed to give my views before this Committee.

2129. Then I understand that we shall have no one who will authoritatively represent the views of the Bengal Chamber of Commerce.

(*Chairman.*) There is a letter coming from the Bengal Chamber of Commerce stating the reasons why they object to the proposals of the Government of India.

2130. (*Mr. Holland.*) You told us that the re-opening of the mints would inevitably lead to a fall in the rupee to about 11d.?—Yes.

2131. And you referred to some disastrous effects that would ensue from that fall, one being that there would have to be an enormous increase of taxation, and that the finance of Government would be embarrassed, and also that there would be serious risk of political trouble in India?—Yes.

2132. But I suppose you would admit that the trade of the country would be affected quite differently—that though in the finance accounts there might be disastrous deficiencies, similar results would not necessarily follow in the case of trade; the results would be different in regard to different trades; some trades would undoubtedly be benefited?—I do not admit that.

2133. You do not admit that any trades would be benefited?—I say that if the rupee goes down to 11d. there might be an enormous drop in the gold prices of Indian produce, and in that case the export trade of India must be affected if the rupee goes to 11d.

2134. You tell us in regard to the standard that silver in your view is not nearly so suitable a standard as gold. You are aware that some contend that silver is better suited as the standard of a poor debtor country, and that a gold standard is more suitable in the case of a rich creditor country?—Yes.

2135. You say that the unsuitability of silver, in your opinion, is that it varies too much?—Yes.

2136. Are you also aware that some contend that silver prices have not varied so much as gold prices?—I am aware of that.

2137. And if that were established, it would dispose of your contention?—Yes.

2138. You say that a gold standard is better than a silver standard for India, because its trade is done with gold-using countries, but you would admit that the home trade is larger in extent than foreign trade?—Yes.

2139. And that it will be the foreign trade that will be chiefly affected?—Yes.

2140. And that the interests of the home trade, which is much the larger, are not identical with those of the foreign trade?—Perhaps so.

2141. Although these results would be to be feared if the change were suddenly brought about, do you think that if it were brought about gradually the disaster might be avoided?—I think the moment the Government say they are going down to a silver basis you utterly destroy confidence. It is equivalent to going to a silver basis straight away.

2142. I should like to make this clear, that although I am putting these questions it is not that I am expressing my own views but that I think it desirable that the other side of the question should be put. You say that the scarcity of loanable capital is owing to the distrust of those who have money to lend. Does that distrust arise, do you think, from the supposed want of determination on the part of the Government to make the gold standard effective?—I think not.

2143. Then do you think that it arises from the impression that the Government have put their hands to an impossible task?—No.

2144. You have not heard of individuals who have command of large capital who entertain that view?—I have heard people say that they could not understand how the Government are going to accomplish this.

2145. May not that be the ground of their distrust?—Yes, it may be.

2146. That, though the Government may be willing, they may not be strong enough to carry it out?—Yes. I may say that some of the people who have said that are people who have not studied the question very thoroughly.

2147. Do you agree that capital is not attracted so much by a high rate of interest as it is by the prospect of permanent profitable employment?—No, I should say that capital is attracted, if it goes out at all, by the prospect of permanent employment.

2148. You tell us that the wages of labourers in India have practically not been advanced except in the case of skilled labour?—And I should say in the case of domestic servants the wages have gone up in the Presidency towns.

2149. Can you give us an opinion as to what the remuneration of labour has been in silver-using countries—in China for instance, have wages been advanced there?—I cannot say.

2150. You admit that if they have not been actually advanced yet, if they have been paid in silver which has depreciated, the result amounts virtually to a reduction in wages in China, where India is competing with a silver-using country?—Your question is that India would be disadvantaged?

2151. Yes?—I quite agree up to a certain point.

The witness withdrew.

(For Mr. F. C. Harrison's evidence, see *infra* Q. 2393 et seqq.)

FIFTH DAY.

Monday, 13th June 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
 SIR JOHN MUIR, Bart.
 SIR FRANCIS MOWATT, K.C.B.
 SIR DAVID BARBOUR, K.C.S.I.
 SIR CHARLES CROSTHWAITE, K.C.S.I.
 SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
 MR. EVERARD HAMBRO.
 MR. W. H. HOLLAND.
 MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

The Hon. ALLAN ARTHUR recalled and further examined.

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2152. (*Mr. Holland.*) You told us in your evidence, I think, that you were in favour of the convertibility of the rupee to an unlimited amount?—Yes, so soon as that can be done with safety to the Government of India.

2153. Of course, you have calculated as carefully as you can the cost of a provision of that kind?—I think I said that I should prefer to leave that point to the best expert opinion available.

2154. I presume that, in your opinion, it would be impossible to make the gold standard effective unless it were backed by a gold reserve?—By a gold reserve or by a very strong guarantee.

2155. And do you think also that it must be accompanied by a gold currency?—Not necessarily, I think.

2156. How could you have the rupee convertible if you had no gold currency for it to be exchanged into?—Well, I think there must be a gold reserve.

2157. If it were an inaccessible gold reserve, a reserve not available for the exchange of rupees, would it answer the purpose of making them convertible?—But it would be available.

2158. You say you do not think much gold would be needed for the internal trade of the country if a gold standard were established?—I think not.

2159. But if the rupee were made convertible, would it be possible for you to control the extent to which it would be converted?—I do not quite follow that.

2160. If the rupee were convertible into gold, then every one possessing rupees which he desired to have converted, I suppose, would have it open to him to apply to have his rupees converted?—Certainly, under such a scheme.

2161. Then I ask you how it would be possible for you to control the extent to which rupees would be converted?—I fancy it could not be controlled except in this way. There would be a contraction of the currency, every million sterling that is remitted to England means the contraction of the currency to the extent of $1\frac{1}{2}$ crores of rupees.

2162. So that although you express the opinion that not much gold would be needed, yet you admit that the amount of gold cannot be controlled?—I do not think I admitted that there would not be much gold needed. What I stated was that I thought little gold would be needed for the internal trade of the country.

2163. If the rupee were convertible, do not you think there would be a strong temptation to hoard gold instead of silver, the preference being given naturally to the coin which is intrinsically a valuable one, rather than to the coin which is a mere token coin?—I think there would be a temptation of that sort.

2164. If gold were hoarded to any considerable extent, would not that involve a great strain on the gold reserve?—I suppose it would if there was a demand on the gold reserve.

2165. I suppose your idea of an effective gold standard would be not only that gold should be convertible into rupees, but that rupees should be convertible into gold, and each of them be tender to an unlimited amount?

—Yes. Gold is converted into rupees at the present time.

2166. But not *vice versa*?—Not *vice versa*.

2167. Would you like to say whether or not you are in favour of the Government proposals as set out in their Despatch?—I should prefer to reserve my opinion.

2168. You are aware that the Bengal Chamber of Commerce, of which you were at one time President, has expressed an opinion against them?—Yes. I have learnt that by telegraph.

2169. You admit that India's greatest interests in point of volume are agricultural?—Yes, they are at present.

2170. Therefore, the welfare of the agriculturalists would be a matter of the highest concern?—Certainly.

2171. Do you deny at all that the agriculturalists are being injured by a dear rupee?—That is a very broad question. I think I have gone into it pretty fully in my previous evidence.

2172. If you do take the view that agriculturalists are not injured—

(*Chairman.*) He has not said that.

2173. (*Mr. Holland.*) If agriculturalists or representatives of the agricultural interest were to come before this Committee and declare that in their opinion they are injured by a dear rupee, do not you think that their opinion as to what affects their own industry would be entitled to very great weight and consideration?

(*Chairman.*) I think that is rather a matter for the opinion of the Committee itself.

(*Mr. Holland.*) You admit that contracted currency shows itself in the fall of rupee prices. I think Sir David Barbour asked a question on that point when you were here before.

(*Sir D. Barbour.*) I asked whether a contraction of the currency could affect exchange in any other way than by lowering prices.

2174. (*Mr. Holland.*) If rupee prices are lower and the fixed charges remain the same as at present, you admit that the position of the ryot would be disadvantaged to that extent. If he gets a lower rupee price for his produce, and yet has to pay the

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same fixed charges as before, of course, his position is worse to that extent?—Naturally.

2175. And being worse, there would be less money left to buy British goods?—I think I pointed out to Sir Charles Crosthwaite that the agriculturalist paid his labour in kind.

2176. But there are charges, rent and taxes—that are not so paid—that will remain fixed, and to that extent the position of the agriculturalist would be made worse, would it not?—It might be made worse; but my point is that gold prices might be higher, and therefore rupee prices might be higher under a fixed rupee.

2177. (*Mr. Campbell*) There were some questions put to you as to the effect of returning capital from India; I should like to pursue that subject a little further. Suppose a merchant in Calcutta buys produce for shipment to London. In the usual course he draws bills against it on his London correspondent, does he not?—Yes, or on a bank.

2178. He draws bills on London?—Yes.

2179. And he sells bills to a bank, which remits them home?—Yes.

2180. The bank would thereby acquire a credit balance in London?—Yes.

2181. Which in due course would have to be returned to it in some shape?—Yes.

2182. Either in Council bills or bullion or otherwise?—Yes.

2183. It has sent, in fact, a portion of its resources to London which, under ordinary circumstances, it will require to be sent back?—It must either be sent back or they must keep it in London.

2184. But if the bank desires to transmit, say, 100,000*l.* worth of its capital home, it would use the bills it bought for that purpose?—It would be done either in that or in some other way.

2185. That would be the most probable way in which it would be done?—I think so.

2186. If it wishes to remit that 100,000*l.* of its capital home, would it allow the amount of the bills it remitted to London to remain there instead of having them returned?—No, it would allow the amount to remain in London.

2187. Would it allow the amount to remain in London instead of having to return it to Calcutta?—Certainly.

2188. The remittance has been really made in produce?—Yes.

2189. It is produce that is at the back of these bills?—If remittances are made in that way, it is produce.

2190. Would the effect be that India had exported 100,000*l.* of produce, for which no return came back?—Well, there would be no fresh currency.

2191. No return at all; so much of the bank's resources are remitted home in that shape?—Yes.

2192. And according to the extent to which it is carried, would it use up or diminish the balance of trade in India's favour?—Yes, it would be equivalent to an import, I think, or rather, it would not have the same effect as an ordinary export.

2193. It would be a cancelling of an export?—The cancelling of an export.

2194. It would be using up an export in that form?—Yes.

2195. Now as to the effect of this on currency. The bank pays a merchant for his bills; the merchant pays a seller for his produce; the seller probably sends the money into the interior, and the quantity of currency in the country is not changed?—That is so.

2196. But does not experience show that the currency needs constant replenishing owing to its being melted down for ornaments, or to its being exported in the shape of coin or in other ways?—I think it is a very broad point as to whether, in days gone by, there was not too much currency put into the country.

2197. I am not speaking of that at all. Of course, the country must require fresh currency at some time?—Oh, yes, I admit that.

2198. And it is on the balance of trade, after providing for Council bills, that India depends for the means of replenishing its currency?—Council bills or in some other way.

2199. Council bills are, of course, not currency; they can be exchanged for currency, but they are not currency themselves?—Certainly not.

2200. So that after providing for currency bills, it is on the balance of trade that India depends for replenishing its currency; that is, the balance of trade would enable her, for instance, to buy silver in the days when the mints were open?—Yes.

2201. When the mints were opened, the silver imported for coinage averaged a large amount every year?—Yes, but I have suggested that it was more than was necessary.

2202. That presumably represented surplus of imports after providing for currency bills; there is so much exports balanced by imports, so much exports balanced by Council bills, and the remainder comes out in bullion?—No doubt.

2203. But if these surplus imports had been used up in the remittance of capital home, the silver could not have been shipped—there would not have been the money to ship it?—That is so.

2204. And the usual replenishment of the currency would not take place?—Quite so.

2205. Now the mints are closed, but you have read the Despatch of the Government of India, and one of the allegations there is that the transfer of capital home has helped to prevent exchange from rising to gold point?—That is so.

2206. If they are correct, the effect of that would also be a starving of the currency?—Yes.

2207. So that the withdrawal of capital from India would have a powerful influence on the currency, although in an indirect way—that is, if it prevents currency from going to India?—Yes.

2208. Then I think you said, in reply to Mr. Hambro, that you did not regard the Bank of Bengal's refusal to discount under 13½ per cent. as indicating scarcity of currency.

(*Mr. Hambro.*) He said he would answer that question later.

2209. (*Mr. Campbell.*) Does the Bank of Bengal regulate its discount rates according to the state of its cash balances?—Yes, I should say so.

2210. In other words, to the amount of currency in its possession?—Yes.

2211. It lowers the rate when its balances increase and raises it as they diminish, and they publish weekly accounts of their balances?—Yes.

2212. Would not the 13½ per cent. rate of discount indicate that the Bank of Bengal itself was short of currency?—I think it would indicate that there was shortage of currency in banking circles.

2213. Does the position of the Presidency Banks afford a fair criterion of abundance or scarcity of money in the large trade centres?—I think so.

2214. And would a diminishing cash balance and a 12 per cent. rate of interest be a fair indication of a scarcity of currency in relation to trade requirements?—I think it would.

2215. During the five years since the mints were closed the Government scheme has not succeeded, has it, in attracting gold to India for currency purposes?—No.

2216. And has the consequence of this been to increase the stringency in the Indian money markets?—Great stringency did not occur until December, 1896.

2217. But for the last two seasons the stringency has been marked?—There has been a very great stringency.

2218. And if existing conditions continue, would you expect the stringency to become more acute as time goes on?—Yes, very much more acute.

(*Sir F. Mowatt.*) You say if existing conditions continue.

2219. (*Mr. Campbell.*) If existing conditions continue—that is to say, if no fresh currency comes in.

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I think you said that the stringency was greater in the Presidency towns than in the interior?—Yes.

2220. Do you say that of your own knowledge?—Yes, from what I have been told from reliable sources.

2221. Can you speak as to the conditions of the money market in such up-country centres as Delhi?—Not from very certain information; but I believe that the rate of discount is no higher than it was, or, at all events, not much higher than it was in the old days.

2222. You have not heard of important failures in these up-country districts in consequence of tight money?—I know there have been failures which I have been told are due to tight money, but personally I do not think they were altogether due to tight money.

2223. Then do you attribute the stringency to the fact that no new currency has been created since the mints were closed?—That is so to a certain extent.

2224. Then if this continues, no new currency being created, would you expect the stringency to extend throughout the whole of the country?—Certainly.

2225. Would this act very prejudicially on the trade of India?—Yes.

2226. A prolonged high rate of interest is a severe tax upon industry, is it not?—Certainly.

2227. And it might seriously interfere with production?—Certainly.

2228. Would you consider it an objection to the scheme of the Government if its tendency was to perpetuate a condition of monetary stringency?—Certainly.

2229. You are aware that the Government contemplate melting down 10 crores of rupees annually for some time and selling them as bullion?—Yes.

2230. Would you, as a Calcutta merchant, regard that step as a safe or a prudent one to take in the present condition of the Indian money market?—That, I think, all depends on the point as to whether currency in India is redundant or not. At the present time, with so many rupees in the up-country centres—on the frontier, for instance—and rupees sent out to make railways, the cash balances—the available rupees in Bombay or Calcutta—are not sufficient for ordinary trade requirements.

2231. Would you say there is no fear of such a step leading to a disastrous crisis?—You mean the contraction of the currency?

2232. I mean the melting down of 10 crores of rupees?—I think that all depends again upon whether the currency has contracted or not. I may say that this is a very difficult question for me to go into, or for anyone to answer, I think.

2233. I think you said the reason why exchange does not rise to gold point is want of confidence in its stability?—That is partly the reason, and another reason is that a merchant at the present time will not sell his bills, because the rate of exchange is very high, and he thinks that by selling now he may do worse than if he sells a little later on.

2234. Do you think the reason may have a great deal to do with the high gold rate which has been fixed upon?—I do not quite follow that.

2235. The 1s. 4d. rate, for instance. May not the reason be that people consider that that rate is too high?—No, I do not think that. I think there would be the same inclination, whatever rate was fixed, to hold off from selling bills at the top of the market unless under a sound currency system.

2236. But if it were believed that 1s. 4d. was a rate likely to be supported by natural trade influences, would there be any occasion for want of confidence?—No, I think not.

2237. And does not the want of confidence rather imply that people do not believe that 1s. 4d. is a rate which would be supported by natural trade influences?—I do not think so.

2238. It is natural trade influences that must support the ratio in the long run?—I think so. Of course, I answer all these questions subject to the

opinions that I have given with regard to such considerations as the gold prices of produce. For instance, I say that if the rupee goes down, the gold prices of Indian produce have an inclination to be lower; and at 1s. 4d. I think the trade of the country will go on just as well as at any other rate.

2239. You said, in reply to the Chairman, that you believed a 1s. 4d. rate would be maintained, provided the exports were kept up?—Yes.

2240. That is a very important condition, is it not?—Yes, it is.

2241. Does it not imply that if the exports were not kept up, you would doubt the maintenance of a 1s. 4d. rate?—If exports were not kept up, I think India would be bankrupt—she could not pay her debts.

2242. What is your opinion as to the effect of a high or low exchange on exports and imports, or on the balance of trade?—My idea is that, no matter what the rate of exchange is, the trade of the country will go on—exports and imports will go on when an adjustment has taken place.

2243. Then what is the meaning of your reservation as to the 1s. 4d. rate, when you said “provided the exports were kept up?” If the trade of the country would go on at any rate, why do you make that reservation?—Well, if exports ceased from India, India could not pay her way at all. I forget exactly what led up to the answer you are quoting.

2244. Do you believe that a high exchange checks exports and stimulates imports?—Yes, that is so until an adjustment takes place.

2245. It does?—Yes.

2246. Then, if a rate checks exports and stimulates imports, it has a very important influence on the trade balance?—It has, yes.

2247. But exports, of course, are not the only factor in the question?—No.

2248. Imports have an equally important bearing?—Quite so.

2249. And if, owing to high exchange or any other cause, imports were increased in an equal degree to exports, would not that modify your view?—At present exports and imports simply balance themselves.

2250. But you say that a high rate checks exports and promotes imports?—Yes.

2251. So that if a high rate of exchange promoted imports, it would alter the balance of trade to that extent?—Quite so.

2252. Now as to the 1s. 4d. ratio. Of course, you will admit that that is a very important part of the question?—Oh, very.

2253. On which no final decision should be come to without very full consideration?—Well, I think the matter has been already given great consideration, and if the matter were considered again and the rate were reduced, I think the effect on the whole question would be most serious.

2254. But the rate has not been fixed yet at 1s. 4d. The Government scheme contemplates fixing it at 1s. 4d.; but when the Act of 1893 was introduced, Sir David Barbour said that the fixing of a ratio was to be left to future experience. So that at the present moment 1s. 4d. is not fixed as the rate?—Well, I think 1s. 4d. is fixed in the idea of the public and of the world generally.

2255. Do you consider, because 1s. 4d. is adopted in the public idea, that that is an adequate reason for taking the final step?—I think it is a very great reason for maintaining the rate at 1s. 4d.

2256. Would a more weighty consideration be whether experience bears out the idea that 1s. 4d. is a practical rate?—I do not quite follow that.

2257. Public opinion is one thing. Would not the question whether experience bears out the idea that 1s. 4d. is advisable, be a more weighty consideration than mere public opinion?—I think it would.

2258. Another important question would be whether the 1s. 4d. rate would inflict no injury on trade?—I do not think it would inflict injury on trade.

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2259. But you would consider a forced or unnaturally high rate a mischievous thing from the commercial point of view; I do not say that 1s. 4d. is an unnaturally high rate, but would you consider that a forced or unnaturally high rate would be mischievous?—I think it would be, yes.

2260. In what way? In the checking of production—lowering prices, for instance, and checking production?—That is one reason.

2261. And if production were checked, it might interfere with India's ability to pay her foreign indebtedness?—That all goes back to what I put to you before—whether I am right or not I do not know—and that is the question of the gold prices of Indian produce.

2262. You are aware of the course of exchange in the last five years?—Yes.

2263. Exchange has never approached 1s. 4d. when Government were selling their full 17 millions of Council Bills?—It has at present.

2264. But last year they only sold about 9 millions?—Yes.

2265. In the only two years when they sold their full quota, exchange was very much below 1s. 4d.?—That is so.

2266. Then, to be a success, the Government's currency scheme should not only enable Government to sell its full 17 millions of Council bills, but should also ensure sufficient gold coming into the country as currency to satisfy the country's requirements?—Yes.

2267. As you have said already, practically no gold has been paid to the Government for currency purposes for the last five years?—I believe there has been about 170,000*l*.

2268. That is not much?—No.

2269. Is it within your knowledge that the price of gold in the market has always been higher than 15 rupees to the sovereign?—I believe it is, very slightly.

2270. It is very slightly now, but it has been very considerably above it?—I cannot say to my own certain knowledge. I do not deal in gold, and I cannot answer that.

2271. Are you aware that last year India imported Rx. 4,900,000 of gold, all of which was sold at a higher price in India than 15 rupees to the sovereign?—I am not aware of the amount, but I know there was a large amount. That I attribute partly to the Council Bills being stopped. That is a very important point.

2272. You do not attribute it in any sense to the rise of exchange?—It may have something to do with the rise of exchange.

2273. The rise of exchange, of course, meant that gold could be sold out there cheaper?—Yes.

2274. So that there is an instance where a rise of exchange has had a decided effect in stimulating imports?—Yes.

2275. Then the Government would have to borrow largely to enable them to acquire gold in order to give a sovereign for 15 rupees as well as to give 15 rupees for the sovereign?—That is so.

2276. Considering that the price of gold has never fallen to 15 rupees to the sovereign all these five years, do you think it absolutely certain that Government would retain the gold when they put themselves in that position?—That is a point that I have taken up before, namely, that, if a very great quantity of gold was tendered for conversion, the amount of currency in the country would be diminished, that is to say, for every million sterling remitted a crore and a half of rupees must come out of circulation.

2277. But the only way of withdrawing it would not be to remit it; it might be withdrawn for hoarding, would there be no danger of that?—But so much of the rupee currency comes out of circulation.

2278. Of course, the failure to carry out the scheme would be a serious calamity, would it not?—Oh, terrible, most serious.

2279. And is the risk of failure in your opinion so small that Government would be justified in adding

largely to the sterling debt in order to carry out the experiment?—I think my answer to that must be as I stated in the Viceroy's Council on the 21st January, namely, that a fall in exchange implies just as great a liability to the Government as a demand on the conversion fund.

2280. The debt, of course, would remain, whether the experiment succeeded or not?—Yes.

2281. (*Mr. Le Marchant.*) Are there not periods when for the financing of crops, or any other purpose, large movements of currency from the centres take place?—Yes, there are.

2282. The jute crop, and so on?—Yes; for instance, in the months of August and September there is a very great deal of money required to be remitted from Calcutta to Eastern Bengal for the financing of the jute crop. Later on in the season, the Bank of Bengal sends down a great deal of money to Burma for the financing of the rice crop.

2283. Have you any idea what that comes to?—For the jute crop, I think it is 7 to 10 crores of rupees, according to the extent of the crop.

2284. Of those 7 crores of rupees sent out from the capital, have you any idea how much never returns?—I have been told, on the authority I think of the Bank of Bengal, that about 2 crores remain in Eastern Bengal.

2285. So that you would think that the currency in the capital, or the currency at the centres, would be reduced by about 2 crores every year, besides the reduction that might take place by loss and wear—it would be reduced by 2 crores being retained by the jute people who are interested in growing jute?—That is what is said in Calcutta.

2286. Is there any similar reduction for the rice season?—I think, in the case of rice, a great deal of the money that is sent to Burnah comes back again.

2287. So that the total reduction would be only 2 crores from the centres?—I should not say that. It might be more than that, but that is for jute.

2288. I mean, the jute reduction would be about 2 crores?—Yes, I may say the people in Eastern Bengal are probably the most prosperous in the whole of India.

2289. I think you answered Mr. Campbell that, unless the bank who had brought its bills to London bought a Council draft on Calcutta, there would be that much more capital, if you like to call it so, left in London; but the bank, buying a bill on Calcutta, would not increase the currency in Calcutta, would it?—The operation suggested by Mr. Campbell would not increase the currency in Calcutta, it would have no effect on the currency in Calcutta; there would be no difference in the currency of India.

2290. The only way of increasing currency in India would be for the bank to send back something that could be turned into currency—that is to say, at the present moment, gold?—Or Council bills?

2291. The Council bills do not increase the currency of India. They take it from the Government's hands, but they do not increase the currency of India?—That is so.

2292. The only thing that would increase the currency, as we now stand, is to send gold, which could be converted into rupees at 15 rupees to the £?—I am not quite sure about that point; perhaps you might refer to Mr. O'Connor on that matter. I think if gold is tendered now, rupees will be released from the currency reserves, not fresh rupees coined.

2293. Now I would like to ask you one more commercial question, and that is about shipping. I suppose there are sometimes too many ships and sometimes too few ships, and then freights rise or fall according to the number of ships and the amount of freight offering?—Certainly.

2294. It has been stated here that the shipowners are strong enough to raise their rate as the rupee falls, so that the advantage should not get to the grower. Is that your experience?—I am glad to think that they are not.

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2295. You do not think that there is any combination amongst the shippers strong enough to act against supply and demand?—There is a combination amongst the shippers as regards freights between Calcutta and London.

2296. But they cannot maintain the rate themselves?—Certainly not.

2297. The rates are fixed by shipment, and not by the value of the rupee?—Certainly.

2298. You were asked whether, in your opinion, internal trade would require much gold (I am merely recapitulating), and you said “No”?—That is so.

2299. Were you there distinguishing between the gold actually wanted for circulation for internal trade purposes and what the Government of India term the marginal supply, that is to say, the excess above the minimum that would be required in active times, and not in slack times?—Yes.

2300. Would you explain what you mean by the circulation for internal trade?—I think for internal trade anything like a sovereign is too high a unit. A sovereign for internal trade would not be required to any great extent, if at all.

2301. On that point, would not the sending out of capital, as suggested to you, exactly reverse the effect that the withdrawal of capital recently has produced?—Quite so.

2302. Without going into the precise details of the way in which it does so, that would be, we may take it, the actual effect?—Yes.

2303. If, therefore, any currency plan conciliates confidence, and causes capital to be sent out, so far as that influence goes it would tend to maintain exchange?—Certainly.

2304. With regard to the effect on currency, do the high rates following on the withdrawal of capital occur although the volume of currency remains untouched?—The high rate of interest?

2305. The high rate of interest. That is to say, has the volume of currency been affected by the withdrawal of capital?—Not the total volume of currency in India.

2306. In the whole country?—No.

2307. But the distribution of it has been affected?—Yes.

2308. It has passed into hands that do not use it in the same way as it was used when it was in the hands of the banks?—Yes. It probably passed into the hands of people whose business it would not be to lend money.

2309. (*Sir D. Barbour.*) And it remained there?—Oh, no. I fancy it would get back in time to the centres, but not to the banks, who have been remitting to England their loanable capital.

2310. (*Mr. Le Marchant.*) Under the existing notification, so far as I know, it is quite open to the public, if they have confidence, to send their gold and have an actual addition made to the existing currency. I am not asking if that is the only way, but I am asking how the community at present get the currency they want and can demand?—It would come out of the currency reserves, I think.

(*Chairman.*) I thought Sir David Barbour had cleared that up last time. Any person presenting a sovereign is entitled, of course, to 15 rupees for it; then I understood Sir David Barbour to say that the Indian Government could, if they chose, coin more coinage as against that gold.

(*Sir D. Barbour.*) My impression is that the Government can coin against that gold or without that gold—in any way it pleases.

(*Chairman.*) I want to be clear on that point. Of course, we are all agreed that if they intended to manipulate the currency simply for the purpose of paying their debts, that would be a dishonest proposal; but if a man presents gold in the way prescribed by notice, the Government can either coin to the extent of that gold in addition to the currency, or it can bring so much of the existing currency, which is now in the Treasuries, into circulation.

(*Sir D. Barbour.*) The intention was that, if gold were presented under this arrangement, the silver rupees should be provided out of the balance in the Treasury, and not by buying silver in England and coining it into rupees.

(*Chairman.*) But, if necessary, it could be done.

(*Sir D. Barbour.*) It could be done.

(*Mr. Campbell.*) That is, the gold would be used to purchase silver for coins.

(*Sir D. Barbour.*) No. If 16*d.* in gold was offered to the Treasury, that would be put into the Treasury, and a rupee would be given out of it; nothing more.

(*Mr. Campbell.*) But if the rupee coinage was getting scarce, then they might use that gold to purchase silver.

(*Sir D. Barbour.*) They might coin more, just as in this country, if shillings were getting scarce, they could buy more silver and coin more shillings.

(*Mr. Campbell.*) Would not the natural course be to use the gold they had to buy silver?

(*Sir D. Barbour.*) Or the Secretary of State might draw an extra half million.

2311. (*Mr. Le Marchant.*) So far as the public are concerned, would they view their power of claiming additional currency as dependent on their importing gold at present?—I think so.

2312. And in that respect, would it be parallel to the case of this country where, by importing gold, fresh currency is made available for the public. I will put it in this way. Do you consider the high rate of discount here is an inducement to gold to flow in?—It is an inducement to gold to flow in or it stops the flow of gold out. But that is not the case in India. The high rate of interest in India will not attract fresh capital to India, or stop capital leaving India.

2313. Owing to some circumstances?—Owing to the want of confidence in the standard.

2314. But I am talking of the principle. A high rate of discount here is regarded, as you say, as either stopping the outflow or reducing the inflow of gold?—Yes.

2315. And to the extent to which it does that, does it place more currency at the disposal of the banks?—I should think it had that effect.

2316. And more money and credit generally?—I think so, that is to say, if there is an influx of gold, I think that is the effect.

2317. You would view then the influx of gold into England as acting, in result, in the same way if they take place—of course, there are differences of detail?—Yes. Under an effective gold standard in India, I should consider them the same.

2318. And it would give an opportunity of expanding the currency in India if the influx did take place?—Yes, that is under an effective gold standard.

2319. With regard to exchange and exports, I think you said it was a question of prices, partly sterling prices, whether exports came out?—I think so. For instance, the recent high prices of wheat in Europe have led to a very large export of wheat from India, notwithstanding the fact that last year was a famine year. There has been an enormous export of wheat from India.

2320. So far as that went, would that in itself tend to raise exchange?—Yes, it would. Whenever wheat has gone from India, the rate of exchange has generally gone up considerably.

2321. The price of wheat then would affect the exchange?—Yes. I may say, when I talk about large shipments of wheat putting up the rate of exchange, that that was in the old days, when the mints were open. It would not be so now.

2322. But to that extent, up to 1*s.* 4*d.*, the increased demand for sterling abroad would strengthen the rate?—Yes.

2323. To that extent the exchange would follow exports?—Yes.

2324. When you said that a low exchange might stimulate exports, did you mean what I might call a

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permanent level of low exchange, or a falling exchange?—I meant a falling exchange.

2325. Would you explain briefly how you put that?—Suppose, with the rate of exchange at 1s. 4d., I can afford to sell wheat at 41s. a quarter, but the London price is only 40s. A drop in exchange to, say, 1s. 3½d., would enable me to sell at 40s. In this way a falling exchange enables business to be put through.

2326. What form does that competition usually take as rates of exchange fall? Would it take the form of lowering the sterling price or raising the rupee? Can you give us any information as to that from your own experience?—I should say that whenever an export merchant saw the rate of exchange going down, he at once dropped his selling gold price.

2327. So as to effect a sale?—So as to effect a sale.

2328. After the transactions, had the prices at each side a tendency to adjust themselves? You say sterling prices fell. Would the result of that be that, taking the sterling price so arrived at and the exchange, an adjustment had been reached, so that it would cease to be profitable to export at that exchange?—I think that would be the effect. Probably the next business that was done would be done at a lower gold price, which I think would have the effect of lowering the rupee price of produce in India.

2329. There would be a succession of falls?—A succession of falls.

2330. With regard to any experience you may have in the past as to circumstances bearing on a particular rate of exchange, for instance, 1s. 4d., 1s. 3d., or 1s. 2d., or whatever you may have observed, would you consider that there was a considerable variety of conditions that tended to determine the rate of exchange at any one moment? Would there be many influences or many factors all contributing to fix the rate at any moment?—I think so. For instance, if there was a very large business in exports (I am talking of the time before the mints were closed), the inclination would be for the rate of exchange to rise. If there was a very large business in imports, the tendency would be for the rate of exchange to decline.

2331. How far do you think it would be possible to argue from the past as to the future?—What I say is, arguing from past experience, the probability is that the drop in the gold prices of Indian produce with a very low rupee would be very great. I have gone into that point, I think, already.

2332. A material condition bearing on exchange has been the want of confidence?—I think a very material consideration.

2333. Have there been any decided expressions, within your knowledge, of native feeling on the present policy?—So far as the native press is concerned, I do not think there has been any feeling at all. When the native press in India has a grievance everybody hears about it; but with regard to this question I do not think I have seen a single native paper take it up and complain about it, except that one of them quoted an article from an English newspaper in Calcutta, called the "Indian Daily News." The "Indian Daily News" wrote a very rabid article about the question, saying that the natives had a very great grievance and would probably rise, or words to that effect; certainly it was an article which, as an Englishman, I did not like.

2334. (*Sir F. Mowatt.*) The ground that I wanted to take you over has been to a very large extent covered by the questions that have been asked you this morning; but there is one single point on which I should like to ask you a few questions. You have said that for the proposal you have advocated there should be an absolute convertibility of the rupee?—That is what I should like to have, provided it could safely be done.

2335. And you admit that would require either a reserve fund or a conversion fund, or whatever you may call it?—Yes.

2336. And it is desirable that that fund should be as small as possible?—I think so. So that India should do as little as possible to assist in appreciating gold.

2337. And you thought that fund would be all the smaller if it had the guarantee of the Government behind it?—Yes.

2338. And that is your object in recommending a guarantee?—Yes.

2339. The object of that conversion fund would be to meet a desire to have gold for silver. Where silver was for any reason brought to be changed into gold, the gold would be there?—Yes, that is to say, where the balance of trade was against India, the gold reserve would come in.

2340. I think I understood you, that in the slack seasons the demand for gold would be greater?—The demand in India for gold, yes.

2341. And in busy seasons somewhat less?—Much less.

2342. Would you say that this periodical variation would enable speculators to demand gold and silver alternately from the Government, and so always to make a profit out of the Government; or would you consider the Government sufficiently safeguarded by fixing limits within which they would give gold for silver?—I think Government should fix rates under which they might make a profit for themselves.

2343. You would not say, therefore, that that conversion would tempt the speculators to raid the conversion fund?—I think if the conversion fund was made very small, unless there was a strong guarantee backing it, a ring of speculators might possibly try to get behind it.

2344. I understand the silver currency is about 120 crores, or, roughly, 80 millions sterling?—Yes.

2345. Any draft on the gold reserve would necessarily be accompanied by an equivalent withdrawal of rupees from circulation?—Certainly.

2346. Then the utmost demand that could be made would be to the extent of that 80 millions sterling?—Unless rupees came out of hoards; if rupees came out of hoards, there might be a greater demand. I understand Mr. Harrison's estimate of the circulation is that it is 120 crores, without including the rupees hoarded.

2347. As the rupee became scarcer, it would become so necessary for the purposes of trade as to find its way back out of hoards into circulation?—Certainly.

2348. Then the interest on the 80 millions at 2½ per cent. would be about 2 millions a year?—Yes.

2349. That, therefore, is the utmost total fine that India would have to pay for convertibility—two millions sterling a year?—Two millions additional taxation might have to be imposed on India—quite so.

2350. I understood from you that the price India would have to pay in the way of increased taxation, if the mints were re-opened, would be about 11 or 12 crores?—11 or 12 crores as a minimum taxation.

2351. That would practically be between seven and eight millions?—Between seven and eight millions. I say minimum taxation, because I hold that if the mints were opened the maximum rate of the rupee would be 11d.

2352. While the increase in the one case would be two millions, the taxation in the other case would be about seven millions?—Yes.

2353. Therefore, putting all other considerations out of the question, it would be a very much better bargain for India if she sank the whole of her 80 millions, providing she obtained convertibility?—I should think so.

2354. (*Sir D. Barbour.*) In your former examination we came to the conclusion that capital went out to India, or might go out to India, for two purposes—either for banking purposes, the buying and selling of bills, or for investment in industrial undertakings such as tea gardens, jute mills, cotton mills, or railways?—Certainly.

2355. Has less capital been going into tea gardens in the last five years than formerly?—No, I think

rather more capital has gone into tea gardens in the last five years than formerly.

2356. Notwithstanding the uncertainty as to the exchange?—I should think more. I cannot answer the question exactly.

2357. And with regard to jute mills, what do you say?—There has been a great deal of money put into jute mills. Of course, the trade has been very prosperous.

2358. Have you any information about cotton mills?—I think, so far as English capital is concerned, that is capital remitted from England to India, there has been very little.

2359. Was there much capital put into cotton mills before 1893?—I do not think English capital has gone to India for the purpose of building cotton mills to any very great extent. There is more native capital in the Bombay mills.

2360. There has been a great deal of capital put into railways in the last few years?—Yes.

2361. Much more than usual?—Much more than usual.

2362. So that in point of fact the amount of capital that has been put into industrial enterprises in India in the last five years has been very considerable?—very considerable.

2363. You know that some of the owners of tea gardens say that a fall in exchange is the best thing for them that could happen?—I know they say that.

2364. So that the fear of a fall in exchange would not prevent them from putting their money into tea gardens?—I suppose they look at it in this way, that if they made 10 per cent. on their money they would put so much of that 10 per cent. into a sinking fund.

2365. You know that the tea producers, as a rule, would like to see a fall in exchange?—Oh, yes.

2366. Therefore, the fear of a fall in exchange would not prevent their putting money into the tea industry?—Just so.

2367. In point of fact, they have done so?—Yes.

2368. Now, a high rate of discount in Calcutta and in the Presidency towns of India began in December 1896, and has continued pretty steadily since?—Yes. Except between June and October of last year, when there was a temporary decline.

2369. The figures are here; but roughly, with the exception of the temporary interruption, the rate has been high?—Yes.

2370. The supply of loanable capital in Calcutta and Bombay is affected by borrowing by the Government?—Yes.

2371. The more the Government borrows the more is taken out of the market?—Yes.

2372. I have the figures here. For the years 1894-95 and 1895-96 the Government did not borrow at all in India?—That is so.

2373. In fact, in 1894-95 I find that they paid off Rx. 1,172,338?—Yes.

2374. That would be an actual addition to the capital available in India?—Yes.

2375. Then in 1896-97 they borrowed Rx. 5,326,125; but two millions of that came out of the currency reserve?—Yes.

2376. That two millions did not withdraw anything from the capital available in the country?—No.

2377. Then in 1897-98 they borrowed Rx. 2,570,500?—Yes.

2378. And for this year the estimate is Rx. 2,675,000?—Yes, which, in my opinion, they will not get.

2379. There has also been a certain amount of money raised for railways in India and paid to the Government. In 1895-96 the amount was Rx. 163,800; in 1896-97 the amount was Rx. 328,200; in 1897-98 it was Rx. 704,800; and in 1898-99 it is estimated at Rx. 1,440,000?—Yes.

2380. That withdrawal of capital would more or less—I do not say account for all the tightness of the money market—but it would tend to make what is called banking money scarcer in India?—Yes.

2381. (*Mr. Hambro.*) When the Government borrows, is it not for the purpose of paying it out again to pay its debt? It does not hoard it, does it?—No.

2382. It pays the money out at once?—It pays it out as it requires to do so.

(*Mr. Hambro.*) Then that would not affect the money market.

(*Chairman.*) It borrows it for new works.

(*Mr. Hambro.*) But it pays it out at once.

2383. (*Sir D. Barbour.*) If it were the case that borrowing money and paying it out for works did not affect the money market, then I suppose you could borrow an indefinite amount of money, provided you only paid it out for new works immediately?—Quite so.

2384. On that hypothesis, you might borrow 100,000,000L., provided only you paid it out at once?—Quite so.

2385. As a matter of fact, do you think it would be possible to borrow 100,000,000L. of capital in India?—No.

2386. Whether you paid it out at once or hoarded it?—I think not. You mean all at one time?

2387. Or even in the course of, say, two or three years?—Over a certain number of years it would be possible.

2388. Of course, if you spread it over a hundred years it would be possible; but do you think you could raise 20,000,000L. sterling or 20 crores of rupees in one year?—I do not think you could; you could borrow very little at the present time.

2389. Or at any other time?—I think not.

2390. Then in 1897-98 the Government did not borrow as much as it intended to borrow?—No. I think they intended to borrow Rx. 4,000,000, and they only borrowed Rx. 3,000,000.

2391. At all events, because of the scarcity of capital, the Government reduced the amount they intended to borrow from about Rx. 4,000,000 to Rx. 3,000,000?—Yes.

2392. The scarcity of money in India began immediately after the Government began to borrow largely in 1896-97. They borrowed about July or August, and the scarcity began in December of the same year?—Yes.

The witness withdrew.

Mr. FRANCIS CAPEL HARRISON called and examined (7th June 1898).

2393. (*Chairman.*) I understand you hold the office of Accountant General of Madras?—Yes.

2394. How long have you held that office?—About three years.

2395. We understand that you have made a special study of the volume and composition of the coin which is circulating in India?—Yes.

2396. What are the facts and statistics on which your investigation has been founded?—Since 1876 the Government of India have examined 2,000 rupees at every treasury in India, and split it up into the various years in which the coins were coined. They

have done this every May—for the last 22 years—since 1876. The idea, I believe, was to accumulate data for determining the circulation by Jevons' method. Jevons attempted to determine the circulation of sovereigns in England by a process similar in its inception to that used by me. Instead of making a single examination as he did, we have made one every year. In France there have been similar examinations under the direction of M. De Foville on behalf of the Government. We have found that each mintage makes a contribution to the circulation proportionate to its volume. For example, a coinage of

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10 crores might appear three years after its issue as 10 per cent. of the circulation, and suppose the next year the coinage was nine crores, three years afterwards the circulation of this issue might be, say 9 per cent. Thus we find the contribution of each mintage to the circulation varies steadily according to the quantity minted.

2397. You have statistics of the number of coins coined for a much greater number of years than the years of your investigation?—Yes, since 1876.

2398. But you must find some coins which were coined before 1876?—Quite so. I misunderstood your question. Our examinations date from 1876, but our statistics of coinage are complete from 1835, the year we commenced to coin our present rupee. In every 2,000 rupees we examined, we found a considerable proportion belonging to the earlier years.

2399. But for each of the earlier years, you know the number of coins which were issued from all the mints available?—Precisely; we know the exact number.

2400. How far back do you find the coins circulating?—We commenced coining and circulating our present rupee in 1835. We coined the same rupee from 1835 to 1840. Though we coined it for those years, we dated it 1835. From 1840 to about 1852, we coined another rupee with the date of 1840. From 1852 to 1860, we coined another rupee with the date of 1840, but slightly larger, so that we can identify it. From 1862 to 1873, we coined another rupee, dated 1862. After 1873, we date our coins the year of their issue.

2401. In other words, your coins are identified by the date of issue, just as coins minted in this country are identified by the device and the particular design of the coin. Your one date lasts for years like our device?—Up to 1873.

2402. Are you able to say how many actual coins have been examined by you?—Yes. We have examined about a quarter of a million rupees every year.

2403. For 20 years?—For 20 years.

2404. And the accuracy of the results which you have to put before us depends, of course, upon these quarter of a million rupees each year fairly representing the average of what is in existence?—Quite so; and as our revenue is a very large part of the transactions of the country, and as our treasuries are situated in very representative spots, for the sake of our own convenience in the collection of the revenue, I think that the coins we have examined may be taken quite to represent the coinage that is in circulation at the time.

2405. Have you any doubt, from the experience that you have had, that the results that you have arrived at are reliable representative results?—I have not the smallest doubt about it.

2406. Now I think it would be desirable if you tell us what results you have actually reached as regards the total volume of metallic currency. Take, for instance, the 10 years 1876 to 1886?—I should put it rather in this way. I think the circulation might be put at about 115 crores in 1886, and that it had been constant (roughly speaking) at about this figure for some years previously.

2407. How have you arrived at that result?—I am afraid it is rather difficult to explain the method adopted. Suppose the mintage in, say, 1882, was 10 crores of rupees. Under our system that 10 crores of rupees passes entirely into the possession of Government originally. That happens in this way. When an importer of silver in the days prior to the closure of the mints came to Government, the Government gave him a mint certificate for the value of the silver he brought, for which he could obtain notes or current rupees, but Government took over the actual silver he tendered. The result is that all new rupees first pass into the possession of the Government, so that the Government know where they are; thence they pass into the currency reserve, and from there the public take them out by cash or notes. So that we

can tell pretty well where the 10 crores of silver is immediately after it is coined. Now let us suppose that 10 crores were coined in 1882—I do not mean that that was the fact, but I am taking this as an illustration—we would find that it would take about two or three years for the coins to merge completely in the circulation. According to this hypothesis, the 1882 coinage would have passed into the general circulation by 1886. Let us suppose at our census of the circulation in 1886 we find the 1882 rupee forms 10 per cent. of the coins examined, we then know the total circulation.

2408. Four years afterwards, you assume that the 1882 rupee is 10 per cent. of the circulation?—Yes; then on this supposition we can calculate the circulation.

2409. Provided there is no fallacy in your statistics from the fact that the coinage you collect came from a place in which there would be a larger proportion than would be natural of the 10 crores coined in 1882?—Exactly, and as we examined so many samples I think we may take it that we do get a representative result. In this way we get at any rate a maximum figure. Assuming that that 10 crores has passed into the circulation, the maximum circulation would be 100 crores. Then one has to make certain deductions. We know, of course, for instance, that between 1882 and 1886, the coinage of 1882 must have suffered some loss by export or by melting, and that loss has to be measured upon just that amount of the coinage of 1882 that did pass into circulation. This we can arrive at roughly by the previous censuses. For example, of the 10 crores coined in 1882, we may find that they formed 3 per cent. of the circulation in 1883, 5 per cent. in 1884, 7 per cent. in 1885, and so on until it reaches its maximum of 10 per cent. in 1886. It would be a long and intricate business to explain how I arrive at the rate of loss suffered by the 1882 coinage as it passes into the circulation. That rate, however, would be taken on the quantities actually present in these years 1883, 1884, and 1885.

2410. From that, how do you get at your total of 115 crores in circulation in 1886?—What I have just been giving is a hypothetical example, explaining my method very roughly. In point of fact, the coinage of 1882 was 7·14 crores. I took round and fanciful figures to simplify the reasoning. In point of fact, arguing on the coinage of 1882, I arrive at 115 crores. Arguing on the coinages of other years immediately preceding, I arrive at about the same result.

2411. So that the 115 crores which you give as the amount of rupees in circulation, is not cumulative in what you find each year, but it is the result of the average of each year taken separately?—It is the result of independent estimates of a very large number of years, taking into account the loss.

2412. Then in the year 1888–89 had you a special examination in that year?—We have examined up to 1898. If I am correct in saying that the circulation is 115 crores in 1886, and I find that that is the estimate which I arrived at by taking many averages, then it follows that the circulation is constant, and if I know the coinage of the few years preceding I can then calculate the loss. For example, I know that the coinage from 1875 to 1886 averaged about 6½ crores. If the circulation was constant, it follows that the loss was 6½ crores.

2413. At any rate, you put it to this extent, and you do not ask us to go further, that in all the calculations you have made from 1876 to the present time the best estimate you could give is that the circulation of rupees was 115 crores?—In 1886.

2414. Do the results got in 1888–89 confirm that? Yes, but I think they give a rather higher figure, and that figure is corroborated by the fact that the coinage was greater. The average coinage was 6½ crores shortly before 1886. I find from 1886 to 1888 it was nearly 8 crores. That would account for a probable rise of the circulation to about 120 crores. Then from 1889 to 1892 the coinage was 9½ crores yearly, and the

coinage in 1893 was nearly 8 crores. Arguing on those figures, and on the results obtained from the later censuses, I think it is probable that the circulation grew to about 128 crores in 1893.

2415. When you talk of what is circulating you include all the rupees wherever they may be?—Not those hoarded or exported.

2416. Have you been able since the closing of the mints, in any way further to test your conjectures?—Yes; for instance by the William IV. rupee. We have begun to recall the William IV. rupee. That is the rupee coined between 1835 and 1840.

2417. The first you mentioned?—Yes.

2418. What has happened with regard to that rupee?—I find that the William IV. rupee in 1892 formed 1·69 of the circulation. I will not read out the whole table, but the percentage dropped in 1896 to 1·2, and in 1897 to ·7 as far as I can make it. We know the amount we have recovered of the William IV. rupees. If we have a drop from 1·2 to ·7, and we know that that drop is represented by 86½ lakhs, we can then calculate the circulation.

2419. When did you begin to withdraw the William IV. rupee?—In February 1896, I think it was.

2420. And how many have you actually withdrawn?—The amount recalled from February 1896 to May 1897 was 86½ lakhs.

2421. What proportion does that bear to what was known to be coined of that particular rupee?—It is about one-nineteenth.

2422. Then you have withdrawn about half?—No, we have only recovered out of 16½ crores 86½ lakhs.

2423. Then since you began to recall these rupees have you tested the number that you get in the same way that you did before?—The examination is continuous. Take this argument. If a reduction from 1·2 to ·7 is equivalent to 86½ lakhs, we then arrive at the total circulation.

2424. Do the figures confirm that generally?—Yes, the result works out at 105½ crores. For reasons which it would take too long to detail, I would raise this figure to 120 crores, representing a loss since 1893 of 8 crores in the circulation.

2425. (*Sir J. Muir.*) May I inquire if the 1835 rupee is still recognised as current coin?—Oh, yes, we receive it, but we do not re-issue it.

2426. So that it may not be totally withdrawn for a long time to come?—If the circulation is fairly rapid, as I believe it to be, it will not take long; we eliminate it as the coins come in to us.

2427. (*Chairman.*) Have you anything more to say as to the light which these researches throw upon the practice of melting down rupees?—I think my researches show that the loss of our coinage is very much more largely due to melting than to hoarding and to exporting.

2428. Why do you say that?—One reason is we have recovered so very little.

2429. Your inference being that the William IV. rupees have been largely melted down to get the use of the silver which they contain?—Yes; and then again we find in point of fact that the total import of silver into India practically passed through our mints or through the native mints, and, therefore, every bit of silver that is used industrially has practically come first to be minted.

2430. Has been a rupee at some period of its existence?—Exactly.

2431. Obviously that could only be prior to 1893?—Yes; but I believe that since 1893 the rupee is still melted, though it is worth about 20 per cent. less when melted.

2432. It would be obviously, since 1893, a bad piece of business to take rupees if you wanted to make silver ornaments?—It would be in the large centres; but amongst the hill tribes and so on—places where a native goldsmith cannot easily acquire, or has not the capital to sink in keeping a stock of, bar silver—I think it is probably the case that a considerable number of rupees are melted to this day.

2433. It is a convenient way of getting and keeping silver, and the traditional practice holds its sway?—Yes, otherwise the goldsmith would have to keep rupees. The practice in the old days was for the native who wanted to put his rupees into ornaments to summon the goldsmith or silversmith, who sat on the verandah outside the house while he melted the rupees and made them into ornaments. The artisan was not trusted.

2434. Can you give us any information as to the hoarding of coin either before 1893 or now?—Sooner or later hoarded coin come to our mints to be re-coined into our rupees. That is the best way for a man to get rid of a large quantity. In point of fact, we have the figures of the Calcutta mint since 1835 showing the old rupees which have been tendered for re-coinage.

2435. If a man has a number of rupees and no payments to make he would bring his silver to the mints to be coined?—That is not quite what I mean. We only began our present issue in 1835, but what was called the Farrakhabad rupee circulated until about 1852; whilst the Sicca rupee circulated down to 1838 or 1839. Then there are all the rupees of the native states. To a large extent old hoards would consist of Sicca and Farrakhabad rupees, and in native states they would very largely consist of their own rupee. We do not find that the number of Sicca and Farrakhabad and native state rupees tendered to our mints is so very large. From 1800 to 1835 we coined about 115 crores gross, and probably net about 77 crores. Of that 77 crores only 30 crores has actually found its way, as far as we can see, into our mints. That would mean that the great proportion of the coin has been melted and has not been hoarded at all. That 30 crores, of course, includes the rupees which were circulating in 1835, and shortly afterwards. I estimate the circulation in 1835 at about 38 crores. Obviously the greater amount of the 30 crores we recovered was from those circulating.

2436. Were any facts brought to your notice in 1896 which led you to think that there was a contraction or a scarcity in that year?—I think so. The census figures show this. I find from 1893, when we stop coining, that the proportion of the older coinages rose slightly to about 1895-96, and from that point I think they are going back again—they are falling. That is to say, when we close the mints, hoarded rupees probably come out to some extent, and now that has ceased. I put in a table to show this. (*The witness handed in the table printed after Q. 2482.*)

2437. That might be the temptation from the rise of value?—Yes, that may be. The earlier rupees came out from hoards, when we stopped from minting.

2438. I understand you wish to confine your evidence to such matters as I have dealt with, namely, to your own researches into the question of the rupee circulation?—I fancy that the Committee at this stage would prefer that I should do so.

2439. You do not wish to-day to go into any of the the proposals which you may desire to put before the Committee? No.

2440. (*Sir Francis Mowatt.*) I do not know whether you are prepared to give us any information as to whether the ornaments of the poor have been sold since 1893 in large quantities; have you any information on that point?—No, I have no information on that point, I do not see why they should be except in time of famine.

2441. Then you have no means of knowing?—No, no means at all.

2442. (*Sir J. Muir.*) What is the object of calling in these rupees from time to time?—The 1835 rupee?

2443. Yes?—It is getting under weight, it is merely purifying the coinage.

2444. Have you any information to give us as to the wages in the country districts, in the Madras Presidency, say. We have had from Sir James Mackay and others information as to wages in Bengal?

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—I should think the wages of the unskilled labourer, the coolie, have changed very little.

2445. (*Sir D. Barbour.*) What figure did you give for 1893?—I put the maximum at 128 crores, I think.

2446. Have you got the other figures?—I should be inclined to put it at about 120 crores now.

2447. Can you say that you put such reliance on your figures as to be certain that there has been a reduction since 1893?—No, I should say there is the probability.

2448. A strong probability you would say?—Oh, yes; I should think so. The result according to the figures would come to even less.

2449. There are a number of rupees hoarded, and I suppose on the border line between hoarding and active circulation there are a number of rupees in a doubtful state?—I rather include the doubtful state rupees.

2450. Even silver rupees may be said to be hoarded with different degrees of tenacity. Some rupees would be more likely to be disposed of than others?—Yes.

2451. I suppose the effect of a famine might be to bring more rupees into circulation?—Yes, no doubt.

2452. That probably would not appear in your figures?—It ought to appear to some extent.

2453. In 1897?—In 1897 and 1898, but the results as to 1897 and the early part of 1898 will only be available in the returns we receive in May of this year.

2454. That has not appeared yet?—We have no knowledge yet.

2455. That has not appeared in any returns yet?—No.

2456. But if rupees were coming back from foreign countries that would appear?—Up to the last census.

2457. Now to take that one step further. Can you say with certainty or with probability that that contraction from 128 to 120 crores is sufficient to have affected prices in India generally?—I should not expect it to affect retail prices, except slowly.

2458. You would not say in what time?—No, I should not pretend to say in what time.

2459. In 1893 and the years immediately preceding there had been a considerable import of silver and a larger coinage of silver?—Yes, there were $9\frac{1}{2}$ crores from 1889 to 1892, and 8 crores in 1893.

2460. Larger than usual?—Yes—well, there is really no usual—it has been gradually rising. It was 8 crores for the years just before 1889.

2461. But for the last four years or so before 1893 the imports of silver and the coinage of silver increased?—Yes, that is the main reason.

2462. There was an addition to the currency on that account?—Yes, from 1886.

2463. It is possible that that addition to the currency did not affect prices immediately?—I should say probably not.

2464. Could you give us the number of years it would take for it to affect prices?—I would not pretend to say. I would rather take it the other way round. I mean I would not argue that prices have risen, therefore the circulation has expanded; but that the circulation has expanded, and prices should or may have risen.

2465. Nor would you attempt, I suppose, to say within what number of years a contraction of the currency would affect prices?—No.

2466. (*Sir C. Crosthwaite.*) I see in some of the Indian papers that the 1840 rupee has been refused by the railways?—Yes; it is so stated, I think.

2467. Has it been withdrawn?—No. There is rather a trouble about the 1840 rupee. The instructions the Government have given are not very clear. The legal tolerance is 2 per cent. If our cashiers receive coin below this rate they suffer, *i.e.*, they have to make good the difference; and as the rupee intrinsically is worth only 10d., this comes very hard on the receivers, and the result is that they do not like to take

the old rupees, and consequently there is trouble. That has brought the 1840 rupee into bad repute.

2468. Why I asked the question was because I wanted to know if there was any evidence that the 1840 rupee was being brought out of hoards?—Yes. I think the figures show that that is probable on the whole.

2469. And that would show to some extent that the actual contraction was being felt?—No, I do not think so. I think many reasons could be given for the hoarded rupee coming out. It might be to buy silver.

2470. Or it might be on account of the famine?—Probably. As I said in answer to Sir D. Barbour, we have not got the figures yet to show what happened during the last year.

2471. (*Sir A. Dcnt.*) May I ask if you can give us a table showing the monthly balances of treasure at the government treasury and at the presidency banks for the last 10 years or so?—I think the India Office would be able to give you that.

2472. (*Mr. Holland.*) You tell us that the circulation in 1893 was 128 crores, and you tell us in 1897 owing to the closure of the mints it diminished to 120 crores?—That is my idea.

2473. You admit that the population will have increased in the interval?—Oh! yes, and the volume of transactions also probably.

2474. And there has been railway construction to a considerable extent, which has made no doubt a greater demand?—Yes.

2475. When previous witnesses have been questioned on the subject of redundancy they have shied at the very mention of the word. I suppose you also would hesitate to express an opinion as to whether or not there is any redundancy of the rupee?—I think that depends entirely on the rate at which you are taking exchange. If the equilibrium actually existing between currency and commodities is 1s. 4d. (which I doubt), then, of course, rupees are not redundant at that rate. If the true equilibrium is 1s. 3d., and the actual exchange of the day is 1s. 4d., then rupees are redundant until the number circulating or the rapidity at which they circulate alters so that the true equilibrium becomes 1s. 4d. Similarly, if the exchange falls to 1s. $1\frac{1}{2}$ d., then rupees, which are sufficient at 1s. 3d., are scarce (the reverse of redundant) at the lower rate. Everything depends upon what rate you assume.

2476. But take the rate we now have?—I do not think the present rate of 1s. 4d. is the rate at which currency and commodities are now in equilibrium. I consider the rupee is worth 1s. 4d. now on account of special disturbing causes, I believe 1s. 3d., or less, is nearer the true rate. Therefore, at 1s. 4d. rupees are redundant.

2477. (*Mr. Campbell.*) What is done with the 1835 rupee when it is called in?—We simply keep it apart.

2478. You are not melting it?—No. We may have used some of it for coining the fractional coinage.

2479. A portion of it has been recoined?—I think very probably, in fact, I have no doubt that that has been the case.

2480. Then the contraction which you estimate from 128 to 120 crores takes into account the whole of the rupees that have been brought back into circulation?—Yes.

2481. If these hoarded rupees had not been brought back into circulation the shrinkage or contraction would have been greater?—Quite so.

2482. (*Mr. Le Marchant.*) Is there any tendency of old coinage to remain out through becoming light, like light gold in this country? Does any element of that kind affect your calculation?—I do not think so. I considered that point very carefully. There has been a difficulty with the 1840 rupee. I daresay the 1840 rupee will be perhaps a little shy of coming into our circulation, but I do not think it has affected our results so far.

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2483. Would you connect that with new issues of full weight rupees?—I do not think so. Most of the melting would naturally be done just outside the big towns, and the circulation of the outside treasuries is naturally of a little older coin than is circulating near these centres of trade. The rupees in the outside towns will naturally be a little older than those current in the big centres.

2484. May I ask whether the principle upon which you base your calculation is well recognised?—I believe that the method has been accepted by the three greatest authorities on the subject, M. de Foville in France, Professor Adolf Soetbeer in Germany, and Professor Edgeworth, of Oxford, in this country. I think they all accept my results as the best we can get on the data available. I do not say they are perfect, but they are the best one can get. I should not be surprised if the circulation, instead of being

128 crores, was found to be 140 crores on the one hand or 90 crores on the other. At any rate I give the statement without bias. I have no views one way or the other which colour my conclusions.

2485. (Sir J. Muir.) What would be the value of the rupees that you have locked up in Madras?—The 1835 rupees?

2486. All that you have called in?—We take them at a rupee.

2487. What amount?—The total amount we have got now?

2488. Yes?—I think, as a shot, as we recovered in a year about 86 lakhs up to May 1897 we shall probably recover owing to the famine say another 60, so that I should say it would be 150 lakhs probably, but I will give you the exact figure when I get it from India.

Adjourned.

Mr. J. F.
Finlay, C.S.I.
13 June 1898.

Mr. JAMES FAIRBAIRN FINLAY, C.S.I., called and examined (13th June 1898).

2489. (Chairman.) What is your official position?—Secretary to the Government of India in the Finance Department.

2490. You are the second in command to Sir James Westland?—Yes.

2491. As a preliminary question let me ask you, are the Committee to take it that in your evidence you are representing the views of Sir James Westland?—The policy of the Government of India.

2492. How many years have you been in the Finance Department?—I have been secretary since the beginning of January 1891.

2493. And for how many years before that were you in the Department?—I joined the Accounts Department in 1881.

2494. So that you have spent all your official life in the Finance Department?—All, except the first six years.

2495. Now, will you tell the Committee shortly what was the state of things in India which induced the Government of India in 1892, I think it was, to apply to the Secretary of State with reference to the closing of the mints?—The continuous fall in the gold value of the rupee, which led to constant increase in the amounts required to pay the home charges, and the fluctuations in the rate of exchange. We could not foresee whether it was going to rise or fall, so that we were constantly uncertain whether the budgets would be upset by a further fall.

2496. Was any other scheme discussed by the Government of India except the closing of the mints in 1892?—The establishment of a gold standard. The closing of the mints was part of that.

2497. But, I mean, was there any other scheme before them?—Bimetallism and other proposals were considered, but the practical alternative was to go on as we were and have increased taxation.

2498. The alternative was increased taxation?—A large increase in taxation. Of course there was also the effect on trade. It was considered that it would be a great benefit to the trade of the country to have a steady rate of exchange, and in 1892 the public agitation in India was from the point of view of trade more than from the point of view of the Government—at least, as much.

2499. What was the lowest point to which the rupee fell in 1892? Let me read to you, in order that we may have it on the notes, this passage in the letter of the Under Secretary of State for India to the Secretary of the Treasury, dated 13th May 1892, which recapitulates the position. It is reprinted at page 146 of the Minutes of the Herschell Committee: "In December 1890, the rate of exchange was, with the concurrence of the Treasury, fixed for 1891-92 at 1s. 6½d. the rupee, in agreement with the gold value of silver at that date; in about four months the rate for selling bills on India

" had fallen to 1s. 4¾d. the rupee, causing an increased charge in the remittances for India, estimated for the year then commencing, of Rs. 2,168,000. From the middle of February to the 18th March last, when the budget for 1892-93 was under consideration, the value of the rupee ranged between 1s. 4d. and 1s. 3¾d., and the Government of India adopted the higher of those two rates; within 11 days from the publication of the budget, the market rate of India had fallen below 1s. 3d., at which rate the drop of a penny in the rupee would cause an additional charge for remittance in 1892-93 exceeding Rs. 1,700,000. Thus, within a few weeks, the Government of India is liable to find itself exposed to the necessity of providing a sum greater than the whole of its receipts from either the customs duties or the assessed taxes, or from the recent increase of the duty on salt; and this result ensues from causes over which neither the Government nor the people of India have any control, but which arise for the most part from legislation, either actual or threatened, by other nations." That is the point we start from. That is, I suppose, a very fair recapitulation of the situation prior to the dispatch which resulted in the closing of the mints?—Yes.

2500. I suppose part of the consideration there was that the closing of the mints was contingent on the failure of the Brussels Conference?—Yes, on the failure to secure an international agreement which would establish a fixed ratio between gold and silver or in some other way would make silver steady and prevent it from falling further.

2501. After the mints were closed, for some time the rupee went further down still?—Yes.

2502. Up to June 1893 the intrinsic value of the rupee and its exchange value were identical?—Practically identical.

2503. What was the actual date of the closing of the mints?—The 26th June 1893.

2504. In July 1893 a divergency began between the value of silver and the value of the rupee?—Yes.

2505. That is, the exchange value of the rupee did not rise very much, but the intrinsic value of the rupee went down a great deal?—The value of the metal in the rupee fell considerably.

2506. Just let me get officially from you what was the lowest price that the intrinsic value of the rupee fell to?—In 1894, silver went down to 27d., and last year it went down to 24d.—24d. an ounce corresponds to about 9½d. the rupee.

2507. What was the actual figure in the year 1897-98? The minimum price was reached on the 26th August 1897?—That was under 24d.

2508. When the value of the rupee was practically 9d. or a very little over, what was then the

exchange value of the rupee?—In August last it was nearly 1s. 4d.

2509. That, we may take it, is the extreme between the two?—Yes.

2510. Now, going back to 1893, the amount of coinage in circulation prior to 1893 was allowed to increase automatically so as to be sufficient to meet the demands of trade at its then value?—Anyone could take silver to the mints and get it coined.

2511. Since 1893, this automatic increase being stopped, the value of the rupee has been determined rather by the amount of coinage in circulation than by its intrinsic worth?—Yes.

2512. Between 1893 and 1898, what do you think the effect of that has been upon the trade of India?—The fluctuations have continued and there has been a general unsettled state, with the result that there is no confidence that the policy of the Government will be carried through.

2513. Take trade as a whole between 1893 and 1898, I am not talking of isolated months, but take the general trade of India from the period of the closing of the mints down to the present time; has the closing of the mints had an injurious effect upon trade?—I do not think so.

2514. Has the volume of trade decreased?—I believe not, except in the famine years.

2515. What has been the effect on the finances of the Government of India?—It has been a very beneficial effect. We have gained each year since the rupee began to rise.

2516. Will you give us the figures. What would be the amount of rupees required to be remitted, if the exchange value of the rupee had fallen to its intrinsic value?—I have a statement here of the loss in remitting 16,000,000*l.* The loss caused by a fall from 16*d.* to 15*d.* is *Rx.* 1,600,000; the loss caused by a fall from 15*d.* to 14*d.* is *Rx.* 1,829,000; the loss caused by a fall from 14*d.* to 13*d.* is *Rx.* 2,111,000; the loss caused by a fall from 13*d.* to 12*d.* is *Rx.* 2,460,000. It increases with each penny. The total loss caused by the fall from 16*d.* to 12*d.* would be eight crores.

2517. (*Sir D. Barbour.*) That is the loss on remitting 16 millions sterling. Of course there are additional charges due to the fall in exchange which would also have to be taken into account?—The pay of the British soldiers, and exchange compensation allowances.

2518. (*Chairman.*) The return entitled “Net Revenue and Expenditure of the Government of India,” now shows the entire loss on exchange each year, it shows what exchange costs the Government of India. I will read the figures out to you. In 1891–92, the total net charge for exchange was *Rx.* 7,200,000, and the average rate of exchange was 1s. 4½*d.* You understand these returns include everything, pay to soldiers, home charges, and, when it comes in, exchange compensation allowance. In 1892–93 the cost went up to *Rx.* 10,287,000. In 1893–94 it reached *Rx.* 11,523,000. In 1894–95 (which is the year you have just been mentioning, when it went to its lowest) it reached *Rx.* 15,045,000. In 1895–96 it reached *Rx.* 13,991,000 (there was a fall then, the mints were closed); and in 1896–97 it went down to *Rx.* 12,116,000. The point I want to get out officially from you is the increase or decrease of the taxation of India—that is practically what it amounts to—by the loss of exchange. Will you tell us what was the highest amount reached, and what it has now fallen to? When you correct the proof of your evidence, perhaps you will fill in the figures for 1897–98; you will find that that is less again; as the rupee goes up the charge for exchange decreases?—According to the Revised Estimate the figure for 1897–98 will be *Rx.* 10,546,000?

(*Mr. Le Marchant.*) May I ask with regard to that whether we are quite clear about it? Would Mr. Finlay explain whether that is loss by exchange or a book entry of the difference between the actual exchange and an imaginary rupee of 2s. From that

figure the loss can be arrived at no doubt, but is that the loss itself?

(*Witness.*) It is the difference between what the sterling amounts cost now, and what they would cost if the rupee were at 2s.

(*Chairman.*) It is not an imaginary loss at all. It is the amount of rupees which the Indian Government has to raise from the people of India in order to remit to London, or to pay to the soldiers in India, or to pay to the civil servants and officers for their compensation, an aggregate gold sum.

(*Witness.*) The sum of these figures you read out, and the equivalent of the sterling amounts at 2s., makes the total amount of rupees actually payable.

2519. (*Mr. Hambro.*) But you have always taken in the imaginary difference also?—If we contract a gold liability when exchange is at 1s. 4*d.* and exchange afterwards falls to 1s. 2*d.*, the difference between exchange at those two rates is a real loss; the extra amount obtained by taking exchange at 2s. instead 1s. 4*d.* is not a real loss in that case.

2520. (*Sir D. Barbour.*) The difference from year to year is not in any way affected by your taking the rate of 2s., although the total exchange which you show for any one year is affected?—No.

(*Chairman.*) No, that is the real loss, it is not imaginary.

(*Sir D. Barbour.*) Exactly. You may take 3s. or whatever figure you like as a *datum*.

2521. (*Mr. Le Marchant.*) What I wanted to know was whether the figures given are the figures of what is called charge for exchange in accounts, or whether it is actual loss by exchange; and, if so, how would you arrive at it?—The difference between two years represent the actual loss in the one year as compared with the other.

2522. Yes; but are the figures that we have just been talking about the actual loss, or what is called charge?—The charge, the difference between the actual rate and the old rate of 2s.

2523. (*Chairman.*) A fall in the exchange value of the rupee amounts so far as remittances to London are concerned—the compensation allowance and the charges in respect of the army—to an increase in the rupee expenditure in India?—An increase between 1891–92 and 1894–95 of from *Rx.* 7,000,000 to *Rx.* 15,000,000.

2524. It has been an increased burden, and, if not arrested, would be a continually increasing burden?—Yes.

2525. And if the exchange value of the rupee to-morrow or next year went down, as Mr. Arthur put it in his evidence, to something like 1½*d.*, you would have to raise additional taxation?—Yes.

2526. Now, will you tell us, in your own words, what was the immediate effect of closing the mints—first upon the importation of silver into India?—There was a large increase in the importation of silver immediately after the closing of the mints. That was due, I believe, to the fact that at the same time Council Bills were stopped. The Secretary of State held out for a minimum, and no Council Bills were sold for six months from August 1893 to January 1894. Since then there has been a considerable decrease in the imports of silver.

2527. And do you think there was any return of rupees from hoards into circulation?—I believe there was, but not to such a great extent as people expected. In the census which we take of rupees every year we do find a small increase, a decimal point or so in the year, in the number of old coins. We take a census of the number of coins of different coinages every year, and we find there has been a slight increase of old coins. That seems to indicate that there has been some return of rupees from hoard.

2528. Was it the opinion of your department that in June 1893, when the mints were closed, there was any redundancy in the currency?—It was the opinion that there were too many rupees if the exchange was to be kept from falling.

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2529. That is what I meant?—And that it was better to stop further additions to them. There was a redundancy unless we were prepared to allow exchange to go on falling indefinitely.

2530. What is the opinion of your department with reference to the operation of that during the three or four following years?—We stopped the increase that would have gone on if the mints had remained open.

2531. We may take that for granted, but what has been the effect of that stoppage on the currency?—We believe it had some effect in causing—not an actual contraction of the currency; we do not believe that there has been an actual contraction of the currency, but we do believe that there has been a relative contraction. The demand for currency would have gone on increasing year by year as it did before, and as there have been no such addition, there must be a relative contraction.

2532. Do you think that the currency was then more than the trade of India required, and that it is now sufficient for the trade of India?—It was then more than the trade of India required, if you were to have a fixed rate of exchange of 1s. 4d., and I think it is still more than is required for that rate.

2533. But not such a redundancy as there would be with a rate of 1s.?—No; no redundancy for a rate of 1s.

2534. Therefore, there was no redundancy, we may take it, in the first year after the mints were closed. If I recollect rightly, the average price in 1894–5 was 1s. 1d.; there would be no redundancy then?—Not for a rate of 1s. 1d., but there would have been for a rate of 1s. 4d.

2535. Then the redundancy has developed or increased since the exchange value of the rupee has increased?—The redundancy has been diminished.

2536. While the rupee was at 1s. 1d. the currency was sufficient for it?—Yes.

2537. Now, when the rupee is at 1s. 4d. the currency, you say, is more than the trade requires?—It is still sufficient.

2538. More than sufficient; you say it is redundant. My point is, that given a uniform rate of 1s. 1d., the present currency is not redundant?—Not if you allow the rate to go down to 1s. 1d.

2539. But if you put up the rate to 1s. 4d., it would be redundant?—Yes.

2540. That is, you would have more rupees in circulation than you would need?—Yes.

2541. Now, when the Government of India proposed in 1893 the closing of the mints, was that part of a financial scheme with reference to the standard of currency?—Yes.

2542. What was the other part?—The proposal was to pass eventually to a gold standard. In order to do that it was intended, first of all, to reduce the rupee to the position of a token coin, while it still retained full unlimited power of legal tender, like the 5-franc piece in France. In order to do that, the first step taken was to stop additions to the currency. Then the other measure that would be necessary to support its value as a token coin would be to get a store of gold as a backing. It was hoped that that store would come in under the notifications which offered to take gold at the rate of 1s. 4d.

2543. But that was not part of the original scheme of the Government of India?—It was part of the scheme that was adopted after the Report of the Herschell Committee.

2544. But that was not the unanimous report of the Herschell Committee. Mr. Bertram Currie very strongly dissented from that?—Yes.

2545. He said this: “I should have preferred to approve those proposals without imposing the condition that the closing of the mints should be accompanied by an announcement that rupees will be coined in exchange for gold at the rate of 1s. 4d.”?—That is so.

2546. The first step proposed by the Government of India was the closing of the mints to silver by an Act of the Legislature?—Yes.

2547. At the same time, the Government of India proposed to take power to introduce a gold standard by making gold coins a legal tender at a rate not exceeding 1s. 6d. the rupee?—Yes, to be declared by notification.

2548. According to the proposals of the Government of India the rate to be finally adopted might have been 1s. 2d., 1s. 6d. or 1s. 4d., but it could not have been 1s. 7d. or 1s. 8d.?—That is so.

2549. I believe the Government of India did not propose to use this power immediately on the closing of the mints?—No, it proposed to wait.

2550. The intention was to close the mints and wait for some time, and then act in the light of the experience acquired subsequently to the closing of the mints?—Yes.

2551. Will you read the paragraph in the report of Lord Herschell's Committee which shows that?—In paragraph 48 of the Herschell Committee Report there is set out a telegram of the 22nd January 1893, in which the Government make this statement regarding their proposals: “We propose to take power to declare, by notification, that English gold coinage shall be legal tender in India, at a rate of not less than 13½ rupees for one sovereign, and we have provided for that in the draft Bill. We think that an interval of time, the length of which cannot be determined beforehand, should elapse between closure of the mints and any attempt to coin gold here. The power to admit sovereigns as legal tender might be of use as an *ad interim* measure, and need not be used except in case of necessity.” That makes it clear that the Government of India proposed to close the mints, and to await the experience acquired from that measure, and to be guided by the result of that experience.

2552. I believe the Herschell Committee accepted the proposal to close the mints?—Yes.

2553. And, generally, the Committee may be said to have accepted the proposals of the Government of India with one exception?—Yes.

2554. That exception was that the Committee substituted for the proposal to take power to fix a rate not exceeding 1s. 6d., another arrangement, by which 1s. 4d. was to be taken as a provisional rate; that was the one alteration?—Yes.

2555. The object of that arrangement was, I believe, to prevent any possible sudden great rise in exchange?—Yes.

2556. And that arrangement was to be provisional?—It was.

2557. The question of the permanent ratio was left by the committee for decision in the future?—Yes.

2558. Has the Government up to the present time absolutely committed itself to any definite ratio, I mean, has it committed itself to the extent that it is not open to the Government to go back and propose a different ratio?—No, it has not.

2559. Sir James Mackay seemed to hold a different opinion. If you like, before your evidence is finally settled, you can consult the Government of India on the matter. The question is this: Has the Government of India committed itself to any particular ratio beyond all possibility of drawing back?—The Government of India in its present despatch has committed itself to 1s. 4d.

2560. Do you mean to say that it is not open to the Government now to say that on reconsideration they prefer (say) 1s. 2d.?—They have very definitely proposed 1s. 4d.

2561. That is recommended to the Secretary of State, but has the Secretary of State adopted it?—No, he has not given any orders on the point.

2562. And until he has adopted it, it is not final?—It is not.

2563. And it would be open to the Government of India to alter their recommendation?—It would.

2564. Now, the mints were closed, as we know, on the 26th June 1893?—Yes.

2565. I believe the arrangement by which the Government offers to give a silver rupee for 16*d.* in gold, and to receive a sovereign in payment of 15 rupees, is one that was made by executive authority?—Yes.

2566. There is no Act of the Legislature which compels the Government to do that?—No.

2567. The Government has merely directed its officers to act in that way?—Yes.

2568. Was it any part of the proposals of the Government of India that the Secretary of State was not to sell his bills for less than 1*s.* 4*d.* the rupee?—No, it was not.

2569. Was it any part of the proposal that the amount of the bills to be sold was to be reduced so as to secure any particular rate of exchange?—No, it was not.

2570. (*Sir David Barbour.*) To show that that was the position, will you read the question which was put to me in the Legislative Council on the 31st August 1893 by Sir J. Mackay, and the reply I then gave?—The Honourable James Mackay asked: “Whether representations have been made to the Government of India by various public bodies during the past few weeks, complaining of the action of the Secretary of State in not fixing some minimum for the sale of his Council drafts during the present dull season, so as to give a basis on which commercial transactions might be arranged. If so, and in view of the serious losses which have been incurred, and the disorganisation to trade which has arisen through the violent fluctuations in exchange, consequent upon the Secretary of State letting his bills go as low as 1*s.* 3½*d.* in the middle of August, after having sold them for 1*s.* 4*d.* in the end of June, I would ask whether any action has been taken upon the representations received by Government, and whether the communications, if any, which have passed between the Government of India and the Secretary of State upon the subject will be published for general information, and, if so, when.”—Your reply was as follows: “It is the fact that representations have been made to the Government of India during the past few weeks regarding the action of the Secretary of State in not fixing some minimum for the sale of his Council drafts during the present dull season. These representations have been considered by the Government of India, and communications have passed, by telegram, between the Secretary of State and the Government of India. The correspondence is not yet closed, and could not properly be published at the present time. The Government of India wish to add, that misapprehension appears to exist in some quarters regarding their recent action in connexion with the Indian currency. The avowed object of the Government of India in closing the Indian mints to the free coinage of silver, was to alter the Indian monetary standard from silver to gold; but it was expressly stated in this Council, on 26th June last, that it was not intended for the present to do more than stop the free coinage of silver, and, as a provisional arrangement, to provide for the issue of rupees at the mints in exchange for gold, at the rate of 16*d.* per rupee. The object of providing for the issue of rupees in exchange for gold, at 16*d.* the rupee, was to prevent any great and sudden rise of exchange, and the Government did not undertake, either to establish 16*d.* per rupee as the permanent ratio of exchange between gold and the rupee, or to establish any other permanent ratio, immediately, or within any specified time. The words which I used in dealing with this matter were as follows:—‘The making of gold coins legal tender, the settlement of the permanent rate of exchange between gold and the silver rupee, and the other measures necessary for the final and effective establishment of a gold standard in India, will be provided for by future legislation, and in

“the light of future experience.’ It would have been very satisfactory if exchange had risen to 16*d.* as soon as the mints were closed, and had remained permanently at that figure; and no doubt this expectation was entertained in some quarters, and business transactions were entered into in the hope that this would be the case. The Government of India regret that the sudden rise in exchange, which took place after 26th June, and the subsequent fall, should have caused so much loss and inconvenience to the mercantile public, and they deeply sympathise with those persons who find the anxieties which are inseparable from business greatly aggravated by the uncertainty which prevails as to the future course of exchange. At the same time, the Government of India must point out that they gave no encouragement to the idea that, as the result of the preliminary measures taken on the 26th June, the gold standard would be at once and effectively established in India, either at the ratio of 16*d.* for the rupee, or at any other ratio. The words which I used on 26th June were as follows:—‘It may be that the gold standard can be made effective from the first Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis will involve a long and arduous struggle, and necessitate heavy sacrifices. Time alone can show which view is correct.’ What has actually happened is, that there was a large rise in exchange immediately after the closing of the Indian mints. This rise was speculative, and not justified by any change in the conditions which regulate exchange; in point of fact, the conditions were, and are still to a great extent, unfavourable to any immediate and serious rise in exchange of a permanent nature. The Indian mints were closed at the slack season of the year; there had been very heavy imports of silver immediately before, and large transfers of rupee paper to London, which is believed to be now returning to India; while the drawings of the Secretary of State are exceptionally heavy for the current year. The Government of India regret the fluctuation and the evils to which it has given rise, but, in their opinion, nothing that has occurred since June last affords any ground for holding that the gold standard cannot be effectively established in India. On the contrary, it was from the first foreseen that difficulties might be encountered, and would have to be overcome in carrying out the measure. The actual occurrence of these difficulties should not be a ground for discouragement, especially when it is remembered that the time and circumstances have been especially unfavourable, and have tended to retard the full operation of the measure. There is, therefore, reason to hope that the difficulties which have arisen will prove to be temporary, and will in time disappear.”

2571. The mints have now been closed for nearly five years?—They have.

2572. Consequently some experience has been obtained of the results of closing the mints?—Yes.

2573. It is the case that during those five years there have been many, I may say very many, disturbing causes. I will ask you as to each one of those disturbing causes. First, after the mints were closed, did the Secretary of State sell some bills just below 1*s.* 4*d.*?—Immediately afterwards and immediately before.

2574. But, just after the closing of the mints, he sold some at a rate just below 1*s.* 4*d.*?—He did.

2575. What was the result of that?—There was then a great outcry in India that the Secretary of State, by selling bills below 1*s.* 4*d.*, and by not fixing a minimum, was not giving the scheme a fair trial. There was an expectation in India that he would sell them at 1*s.* 4*d.* and refuse to sell them below that.

2576. That was an expectation to which the Government gave no sanction?—No.

2577. And that answer that you read which I gave to a question by Sir James Mackay, on the 31st

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August 1893, in the Legislative Council, shows that the Government of India gave no sanction to it?—Just so.

2578. At or about the time of the closing of the mints, had there been large imports of silver?—There were large imports.

2579. Do you recollect that it was said about that time that there had been some speculation in exchange?—Yes, especially just a month or two before the closing of the mints.

2580. Things were in a very unsettled state as regards exchange after the closing of the mints?—They were.

2581. And the Secretary of State was urged to fix a minimum for his bills?—He was.

2582. He was very unwilling to do so?—He was; he did not do so for some time.

2583. Did he do it ultimately?—He never publicly announced it so far as I know, but it came to be known gradually that he would not give bills below 1s. 3½d.

2584. Ultimately the Secretary of State abandoned that policy?—Yes; at the end of January 1894.

2585. In opposition to the wish of the Government of India, I think?—Yes, the Government wished at any rate to hold out for some time. They were confident that, if the Secretary of State had not abandoned the policy then, he would have succeeded in selling bills at that minimum of 1s. 3½d.

2586. I suppose the fact that the exchange fell to 1s. 1d. in 1894-95 raises great doubts as to whether the Secretary of State could permanently have held out for 1s. 3½d.?—It does; but at the time the minimum was abandoned the exchange banks were believed to be practically at the end of their resources, and, if he had held out for another fortnight or three weeks, he could have sold his bills at that minimum. Whether the rate would have kept up during the slack season is another question.

2587. The market having settled at 1s. 1d. afterwards, it is doubtful whether he could have held the rate up to 1s. 3½d.?—No doubt.

2588. Did the price of silver fall largely after the closing of the mints?—Yes.

2589. And there were large imports of silver into India?—There were.

2590. I suppose the cause of those large imports was the fall in the rupee price of silver?—That must have been one cause, and also the fact that no council bills were being sold.

2591. As the Secretary of State was not selling bills, remittances were made by means of silver?—Yes.

2592. But they would not have sent in more silver unless they saw their way to sell it?—No doubt.

2593. Then, the disturbing causes at that time were, the speculation in exchange, the stoppage of his drawings for a time by the Secretary of State, and large imports of silver into India?—Yes.

2594. After that the exchange fell largely in 1894 and 1895?—It did.

2595. The Government of India were in financial difficulties?—Very great difficulties.

2596. And I believe general import duties were imposed?—They were imposed in March 1894.

2597. After that there was considerable war expenditure in connexion with Chitral?—There was; that was in 1895.

2598. Subsequently to that there was a considerable increase of borrowing. There was an extensive railway programme adopted, which involved large borrowing?—It was not intended to involve large borrowing. When the programme was started in 1894, I think one of the conditions made was, that it should not involve borrowing in sterling, but that it should be carried out with the surplus rupees which had accumulated in consequence of the stoppage in the sale of Council bills.

2599. But that was practically borrowing in England?—I mean it was understood that there should be no further borrowing. That money had

been borrowed, and there was an accumulation of rupees at that time.

2600. Then, there was also considerable railway construction by companies which involved borrowing in London?—That was under a guarantee, but for the branch companies it was intended to make it a condition that the capital should be raised in India.

2601. And that borrowing for the construction of productive railways is still going on?—Yes.

2602. After that there came the famine?—Yes.

2603. And the plague?—Yes.

2604. The famine seriously affected the financial position of the Government of India?—Yes, very seriously.

2605. Do you think it would have any effect on exchange?—I think it would lower exchange.

2606. You think that would be the tendency?—The tendency would be to lower exchange.

2607. It would reduce exports more than imports?—It would reduce exports.

2608. After that there was considerable expenditure in connexion with the frontier tribes?—Yes.

2609. And the general result was that it was necessary to borrow very largely in England?—This last year?

2610. I should say it has been necessary to raise money largely in the last two years at any rate. Will you look at the "Net amount of registered debt in India." What is the total debt borrowed in India in 1896-97?—Rx. 5,326,125.

2611. Two crores of that was taken from the paper currency reserve?—Yes.

2612. How much was borrowed in 1897-98?—Rx. 2,570,500.

2613. And the estimate for 1898-99?—Rx. 2,675,000.

2614. Now turn to the "Amount of Rupee Capital paid by Railway or Irrigation Companies into the Government Treasuries in India." What is the amount in 1896-97?—Rx. 328,200.

2615. In 1897-98?—Rx. 704,800.

2616. And what is the estimate for 1898-99?—Rx. 1,440,000.

2617. Then, take the statement of the amount of money raised by debt incurred in London. What is the net amount raised for 1896-97, excluding specific debt incurred for railways and canals?—The amount paid off is 849,992l.

2618. In 1897-98?—8,379,407l., the amount borrowed.

2619. And the estimate for 1898-99?—2,615,300l. (Mr. Campbell.) Does that include the floating debt?

2620. (Sir D. Barbour.) That includes everything. Now, will you look at the "Amount of capital raised in London by Indian railway or irrigation companies guaranteed by the Secretary of State." Look at the "net capital receipts" column, and tell me the amount for 1896-97?—3,570,893l.

2621. Then, 1897-98?—1,758,874l.

2622. And the estimate for 1898-99?—2,273,000l.

2623. Then there was also raised during that time, in London, capital required for railway companies that had no guarantee from the Secretary of State, but that had entered into agreements with him for the construction of their lines?—The figures for calendar years are:—1894, 475,927l.; 1895, 698,385l.; 1896, 1,849,444l.; 1897 (six months), 463,037l.

2624. The war expenditure is now practically over, I think?—It is. There are still some troops on the frontier, but only a small number. There will not, however, be any great reduction below the estimate taken on account of the war this year.

2625. But that is much less than the expenditure last year?—Yes.

2626. There have been good crops this year?—Very good indeed.

2627. And higher prices in England?—Yes.

2628. And there have been very large exports of wheat from India?—Yes.

2629. So that at the present time the special causes affecting exchange would appear to be: very good crops in India, high gold prices in Europe for certain Indian produce, including wheat, and considerable borrowing in London?—Yes.

2630. Borrowing in London for railways involves remittances to India?—Yes.

2631. Of the money that is raised in London for railways, a portion is expended here on stores, such as rails, waggons, and so forth?—Yes.

2632. That is a separate transaction by itself, and has no effect on exchange?—Yes.

2633. But the money that is required in India for the construction of the railway, that money being raised in London, has to be sent to India, and that involves a remittance to India?—Yes, or a reduction in the amount the Secretary of State has to draw.

2634. That is the same thing; it reduces his drawings; it involves a reduction of the remittances from India?—Yes, it involves a reduction of remittances from India.

2635. (*Mr. Campbell.*) Is that included in the Budget—remittances on account of railways?—It is all taken into account. Having got so much money in London in that way, the Secretary of State draws less, and he only enters his actual drawings in the Budget.

(*Mr. Le Marchant.*) I think it is a matter of ways and means and remittance account.

2636. (*Sir D. Barbour.*) I suppose it is. Then the result is this; that the mints have now been closed to silver for nearly five years, but owing to special disturbing causes that have affected the exchange during that time the experience is not so valuable as it might otherwise have been?—It is not.

2637. Now, what are the grounds on which the Government of India found their present proposals?—First of all, they hold that the closing of the mints has led to a contraction of the currency.

2638. By contraction of the currency, I understand they mean what they call relative contraction—that is the word which has been used by the Government of India?—Yes.

2639. I understand the meaning to be this—that the Government of India do not assert that there are fewer rupees in India, but they hold that there are fewer rupees relatively to the increased demand which is due to the development of the country during the last five years?—That is so. There was an additional number of rupees every year, and that addition has ceased to be made.

2640. And they hold that this relative contraction of the currency has caused the exchange value of the rupee to rise?—They do. They also hold that if this cause continues to act, that is, the closing of the mints to silver, the contraction of the currency must continue to increase, and they hold that there will consequently be a further rise in the exchange value of the rupee.

2641. They think that in that way you would, in the course of time, arrive at an exchange which would make it profitable to send gold to the mints?—Yes.

2642. And they think that gold would be sent to the mints as soon as it was profitable to do so?—As soon as the exchange rose to about 1s. 4½d. They also hold, that, for various reasons, it is desirable to cut short the period of transition, in the interests of India.

2643. How do the Government of India propose to cut short this period of transition?—They propose to withdraw rupees from the currency and melt them down, if necessary. In that way they hope to cause a further contraction, and a more rapid contraction, than there would be if rupees were not melted down. Simultaneously, they propose to borrow gold and ship it to India to form a gold reserve.

2644. What do they propose to do with the silver resulting from the melting down of rupees?—They propose to sell it.

2645. That melting down of rupees would lead to a reduction in the balance of rupees held at the

Government Treasury?—Yes. When the bullion was sold the reduction would be the difference between the number of the rupees melted and the price realised by the sale of the bullion.

2646. How do they propose to make good that reduction?—By adding to the balance a part of the gold borrowed of equal value with the reduction. That amount, substituted for rupees, and the remainder of the borrowed gold, would form the nucleus of a reserve.

2647. If that operation were carried out, to what extent would there be a contraction of the currency?—The currency would be contracted by the number of rupees obtained for the bullion sold.

2648. Adding sovereigns to the currency to take the place of a portion of the melted-down rupees would be a reduction of the total contraction?—Yes.

2649. Now, what is the first operation the Government of India propose?—The borrowing of gold and the melting down of rupees. First of all there will be the borrowing.

2650. First of all, they propose to borrow 5,000,000*l.* of gold and bring it into India?—Yes.

2651. The next measure would be to melt down Rx. 10,000,000?—That sum is rather given as an example; they do not propose to melt down any definite sum. They propose to melt down as much as may be necessary.

2652. But they propose to begin with 10 millions?—They name that as a possible amount for the first year—as yielding the amount they think India could absorb.

2653. They intend that to be the first operation; that is, the melting down of Rx. 10,000,000; but I understand you to say that they do not propose to melt down the whole of that amount if they find that melting down half of it will do?—If they find that none is necessary, they will not melt down any. If exchange remains steady above 1s. 4*d.*, there would be no necessity to melt down anything.

2654. Is there anything in the despatch which says that you will not melt down silver when exchange reaches 1s. 4*d.*?—I think that it is assumed throughout the despatch that the melting will be undertaken only if necessary.

2655. Will you give the paragraph to which you refer?—In paragraph 9 they say: “We consider, therefore, that the remedy for this state of things is to remove from circulation as money so much of the increases which were made to the circulating medium immediately before 1893 as we may find to be redundant.” Then in paragraph 10 they say: “It is impossible with any exactness to say, and it can only be ascertained by actual experience, by how much this rupee circulation has to be decreased in order to remove its redundancy.” Then they go on to point out that “some considerations point to the amount being within quite manageable limits.” I think the 10 crores is rather named as the maximum which would be melted down the first year, and not as the minimum.

2656. It is not intended to take the full 10 crores to be melted down as one operation?—I think not.

2657. Then it would appear that whenever the exchange went over 1s. 4*d.* the melting down of rupees would cease?—It would.

2658. Whenever exchange went below 1s. 4*d.* it would begin again?—Yes; but we should not melt or cease melting in consequence of short temporary fluctuations, but only if there were a prolonged variation in the level of exchange.

2659. The Government of India propose to take power to borrow 20 millions of gold, if necessary?—Yes.

2660. And that would enable them to repeat the operation, if necessary, four times?—Yes, the borrowing operation.

2661. But they do not think it would be necessary to repeat it four times?—No, they do not.

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2662. They think that before Rs. 12,000,000 had been withdrawn, gold would have begun to come into the Treasury?—Yes.

2663. Rs. 12,000,000 means two operations?—Yes; and they also think that one borrowing of five millions might be sufficient; that amount would, approximately, cover the loss on two melting operations.

2664. Now there are many transactions taking place every day between England and India, such as the export and import of merchandise?—Yes.

2665. And remittances are being made from one side to the other?—Yes.

2666. And occasionally securities are transferred from one side to the other?—Yes.

2667. All these transactions, I think, may be said to result in bills drawn by the one country on the other?—Yes.

2668. And all these bills practically come into the banks for settlement and adjustment, one against the other?—Yes.

2669. Would you admit that, if on making up that account the balance turned against India, Indian exchange would fall?—Yes.

2670. And conversely if the balance turned in favour of India the exchange would rise?—Yes; provided that silver and gold kept steady.

2671. Other things being equal of course?—Yes.

2672. And I am assuming that the Indian mints are closed to silver. Now, is that rise or fall of exchange the natural operation by which the balance is adjusted, and the account between the two countries settled for the time, or is there any other way in which it is settled? Suppose the balance of account turns against India; how is the balance settled; it must be settled in some way?—Assuming that the quantities of exports and imports remained the same?

2673. Not assuming anything. Certain transactions have taken place, and bills drawn in consequence have come into the banks to be settled, and it is found that India owes more than she is entitled to receive, and she must pay her debts somehow. What is the process?—Either the exchange must be altered or other remittances would have to be made.

2674. Assuming that, when all transactions in the way of export and import, and so forth, which give a profit, have been carried out, the account is against India; what is it that forces the settlement of that account; what change takes place? The account is against India; that account cannot settle itself; how is it settled?—Through the exchange.

2675. Do you know of any other way in which it could be settled except by the rise or fall of exchange?—No.

2676. Do you think that exchange at the present day between England and India can be affected by any cause that does not alter the balance of account between the two countries?—No, I cannot think of any cause which would affect the balance without altering exchange.

2677. Any cause that acts on exchange at the present day must act through the balance of account between the two countries for the time being?—I think so.

2678. You have said that the alteration of the state of the account causes a rise or fall in exchange. You have also said that, as far as you can see, any cause that affects exchange must act through the balance of the account between the two countries. Then, I ask you whether it would be going too far to say that the movement of the rate of exchange up or down at the present time is simply the expression of the state of the account for the time being between the two countries?—It is a difficult question, but at present I cannot see that it would be going too far.

2679. Then, the proximate cause of the rise or fall of exchange is the alteration of the balance of account between the two countries?—Yes.

2680. That is the proximate cause?—Yes.

2681. Now, I wish you to enumerate the various causes that act on the balance of account between the two countries, and consequently act on exchange.

Would you admit that good crops in India, of articles that are exported, jute, rice, wheat, and so on, tend to raise the exchange?—They would increase the exports.

2682. Larger exports from India turn the balance of account in favour of India?—Yes.

2683. And in that way good crops act favourably on the exchange?—Yes.

2684. In the same way, do you think that larger imports would have the opposite effect?—Yes.

2685. They turn the balance of account against India?—Yes.

2686. What would be the effect of remittances of money from India to England for the time being?—They would act as imports.

2687. They would act upon the balance of account unfavourably?—Yes.

2688. Larger remittances from India mean a larger demand for sterling?—Yes.

2689. And remittances of money from England to India would have what effect on exchange?—They would have a favourable effect.

2690. And increased drawings by the Secretary of State?—They would have an unfavourable effect.

2691. And reduced drawings?—They would have a favourable effect.

2692. I want to consider the effect of the raising of money by a railway company in London for Indian railways. A portion of that money would be spent on stores in England, which stores would be sent out to India?—Yes.

2693. And I think you have said already that a transaction of that sort had no effect on exchange?—No, because it does not affect the balance at all. The money is received in London and it is paid out in London.

2694. It is a separate transaction by itself?—Yes.

2695. But the money required for expenditure in India would be a remittance to India and would affect the exchange for the time being?—Yes.

2696. Now I wish to consider the effect on exchange of a contraction of the Indian currency. What is meant by a contraction of the currency and what would be the effect of a contraction of the currency?—The rupee currency is becoming more valuable per unit.

2697. Prices fall?—Prices fall.

2698. Assuming that there exists a certain rate of exchange, and that prices in India fell, it would become more profitable to export from India?—It would.

2699. It would be less profitable to import?—Yes.

2700. And those two things would turn the balance of account in favour of India?—Yes.

2701. And the exchange would rise?—Yes.

2702. Therefore the result of a contraction of the currency would be to lower prices in India and raise exchange?—Yes.

2703. And the effect of an expansion of the currency in India would be the opposite effect?—Exactly.

2704. Then we will suppose there was a contraction of the currency in England and that gold prices fell; what effect would that have on exchange with India?—That would have the opposite effect.

2705. That would lower the Indian exchange?—It would lower the Indian exchange.

2706. And a rise of prices in England?—Would raise the Indian exchange.

2707. I would like to repeat or summarise what you have said and see if you still agree with it. First you say that the rate of exchange fluctuates according to the balance of account between the two countries?—Yes.

2708. The second thing you have agreed to is that at the present day no cause can really affect exchange which does not act on the balance of account?—Yes, so far as I can see at present.

2709. The third proposition is that the balance of account between the two countries is affected first of all by what I may call commercial causes, that is imports and exports, and secondly by financial causes,

by which I mean the remittances of money which do not originate in exports and imports, and thirdly by currency causes, the contraction or expansion of the currency?—Yes.

2710. Now when the Indian mints were open to silver, if there was an increased production of silver, a proportion of that increase would probably be sent to India, the mints being open?—If there was an increase in the amount of silver production of the world you mean?

2711. That is what I mean?—Yes.

2712. I mean that if the production of silver increased, the increase would have to be distributed over all the places where there was a demand for silver, and probably India would have to take a portion of it?—It probably would.

2713. That would increase the imports into India?—It would.

2714. So far it would lower exchange?—Yes.

2715. If the mints were open, that silver would probably go to the mints and be coined?—It did go.

2716. It would and did?—Yes.

2717. It would be added to the currency of the country?—Yes.

2718. If so, would it increase the quantity of the currency and, presumably, tend to raise prices?—Yes.

2719. And lower the Indian exchange?—Yes.

2720. Now what I want to know is whether you agree in the statement that the increased production of silver would have two effects on the exchange; first of all that it would lower exchange temporarily while it was being imported, and, secondly, that it would tend to lower the exchange permanently when it was added to the currency. Do you agree with that?—I do.

2721. And since the mints were closed to silver the rupee value of the imports of silver into India has largely been reduced?—Yes, till this last year, in which the reduction is smaller, but still considerable.

2722. Has not the rupee value of imports of silver fallen from about Rx. 12,000,000 to Rx. 6,000,000?—Below 6 millions in 1896-97.

2723. Roughly, it has fallen to about Rx. 6,000,000?—Last year it was 8 millions.

2724. You will get the exact figures for us?—The values of the net imports have been:—1889-90, Rx. 10,937,876; 1890-91, Rx. 14,175,136; 1891-92, Rx. 9,022,184; 1892-93, Rx. 12,863,569; 1893-94, Rx. 13,719,818; 1894-95, Rx. 6,329,223; 1895-96, Rx. 6,582,222; 1896-97, Rx. 5,856,029; 1897-98, Rx. 8,473,481.

2725. Then would you say that the effect of the closing of the Indian mints to silver on the exchange has been as follows:—that in the first place it has tended to raise exchange, by leading to a reduction in the rupee value of the whole quantity of silver imported?—Yes.

2726. It may have prevented a fall of exchange, and you say it has prevented a fall of exchange, by preventing additions to the currency?—Yes.

2727. And it may have tended to raise exchange by causing a contraction of the currency, positive or relative?—Yes.

2728. Would you admit that the exchange of any country might fall or rise largely without any alteration in the quantity of the currency?—It might, by the operation of financial and commercial causes.

2729. You have admitted that the exchange is affected by financial and commercial causes?—Yes.

2730. Now, would you read the answer given by Mr. J. Beaton to questions No. 2297 and 2298 before the Herschell Committee?—He says the Brazil exchange went down between 1865 and 1869 to 14*d.* at one period; that was the time of the Paraguayan war. Then he is asked "That was an exceptional period?" and he says "Yes, and as the depreciation of the "exchange did not follow an increase of the inconvertible paper, there must have been some other "cause for the depreciation at this period. That "cause was the constant and heavy demand for "sterling bills, in consequence of the large purchases "of war material, and expenses of the army in the "field having to be paid in gold. It is generally "assumed that, the larger the amount of inconvertible paper which a country has, the larger will "be the depreciation of its sterling exchange, but that "was not the case in Brazil."

Adjourned.

SIXTH DAY.

Tuesday, June 14th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

THE LORD BALFOUR OF BURLEIGH.

SIR JOHN MUIR, Bart.

SIR FRANCIS MOWATT, K.C.B.

SIR DAVID BARBOUR, K.C.S.I.

SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.

MR. EVERARD HAMBRO.

MR. W. H. HOLLAND.

MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

MR. JAMES FAIRBAIRN FINLAY, C.S.I., recalled and further examined.

2731. (*Sir D. Barbour*.) You stated yesterday that though the Government of India propose to take power to reduce the currency by melting down rupees, they did not intend to act on that power unless they found it necessary to do so?—Yes.

2732. If exchange remained steady at about 1*s.* 4*d.*, and if gold came in you said they would not, or might not, think it necessary to melt down rupees?—I did.

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2733. On the other hand, if exchange fell, and gold went out, supposing any had come in, they would proceed to melt down rupees?—Yes.

2734. And they would continue to do so until the exchange rose again?—That was my evidence.

2735. And I suppose it would be possible that after the melting down of rupees the exchange, that rose for a time, might afterwards fall?—It is quite possible.

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2736. And in that case, they would melt down rupees again?—When it began to fall.

2737. Always within the limits of the powers that they had taken?—Yes.

2738. Assuming that Government acted in that way, the melting down of rupees would go on somewhat in the same way as Mr. Lindsay proposes. His scheme is to sell bills on England when exchange falls to 1s. 3½d., and to melt down the rupees received for those bills?—Yes, the processes would be somewhat similar; but Mr. Lindsay proposed actually to melt rupees only if the amount of gold in the Gold Standard Office was not sufficient to meet the bills drawn on it.

2739. That melting down by the Government of India of rupees might be extended over a considerable period?—It might.

2740. Exchange might rise and fall again?—I do not think the Government of India expect that.

2741. But is it possible?—It is quite possible, but it is not probable. They expect that the scheme, when brought into operation, would establish exchange at 1s. 4d. pretty quickly.

2742. But if a larger amount had to be melted down, I understood that the operation would be spread over a considerable time. You do not propose to melt down the 10 crores all at once?—That is the maximum for one year.

2743. That is a considerable period, is it not?—It is.

2744. And you would have to get an Act of Parliament before you could carry out this operation?—You would require an Act of Parliament to borrow in sterling.

2745. You could not get that this session?—I think not.

2746. So that, probably before you could melt down 10 crores it would be two years from the present time?—Very likely.

2747. As a minimum?—Yes, of time.

2748. Now the object of melting down rupees is to effect a contraction of the currency?—Yes.

2749. Which you believe would affect prices?—Yes.

2750. Can you say within what time the reduction of the currency would affect prices?—No, I cannot.

2751. So that, although the Government of India began to melt rupees in order to raise exchange, it is not certain—it is not clear—that the exchange would rise immediately?—It is not.

2752. Is it not possible that the contraction of the currency might not affect prices for one, two, or even three years?—I suppose it is possible, but I think, probably, it would affect it sooner.

2753. We have no positive evidence on that point, and therefore we cannot say with certainty what the result would be?—No.

2754. Then the validity of the reasoning of the Government of India in their despatch of March 3 appears to depend on two things; first, whether there has been a rise in exchange since 1894–5, and, secondly, whether that rise is mainly, or in a material degree, due to the contraction of the currency?—Yes.

2755. As regards the rise of exchange, I believe there is no room for doubt?—There is no doubt of it. From 1894–95 up to 1897–98, there has been a very remarkable and very steady rise of exchange.

2756. And as regards the present year, so far as we have gone, there appears to be a prospect of a further rise?—It is keeping much steadier at this season than was generally expected.

2757. It is keeping higher than the average of last year at the same time?—Yes; for every year since 1894–95 each month has been higher than the same month in the preceding year.

2758. I wish to ask you whether the prospect, so far as we have gone in the present year, indicates a higher exchange than last year?—It does.

2759. The next important question would appear to be whether or not this rise in exchange is due to a contraction of the currency?—Yes.

2760. What evidence have you got that there has been a contraction of the currency?—In the first

place, I would say that it is a reasonable supposition under the circumstances, the usual increase having been stopped.

2761. The usual increase having been stopped, it might be expected that the closing of the mints would produce in the course of time a certain amount of contraction of the currency?—Yes.

2762. I dare say you have seen Mr. Harrison's evidence?—No, I have not seen it.

2763. Do you know his estimate of the total amount of the currency?—Yes, it is 120 crores.

2764. His estimate for 1893 is 128 crores?—I think it was, 128 crores or a little more.

2765. That shows a fall of 8 crores; and his estimate for 1886 was 116 crores?—It was less than for the later years.

2766. There was a rise from 1886 to 1893, and from 1893 to 1897 there appears to have been a fall of 8 crores?—Yes.

2767. Then, as regards the other facts bearing on the contraction, there has actually been an addition of about Rx. 4,000,000 to the circulation, since the mints were closed?—Yes; 2 crores by the coining of silver which was taken over after the mints were closed, and 2 crores by the currency investment in 1896.

2768. I also understand from the despatch of the Government of India, that although some rupees came back to India after the mints were closed, there has, subsequently, been a net export of about Rx. 2,000,000?—About 1½ crores from October, 1893, to March, 1898, there was an import in the later months of 1897–98.

2769. Do you know where those rupees went?—Chiefly to Ceylon, I think, and to the Mauritius; perhaps some to Africa.

2770. Now, those rupees, put down as having left India, include only the large sums that were exported out of India by sea?—Yes, all sums shown on the invoices of the vessels carrying them.

2771. They are on the invoices of the vessels that carried them?—Yes.

2772. It might be the case that rupees would leave India in the pockets of passengers?—Yes.

2773. But that would be nothing of any importance?—That would be nothing very great.

2774. So far as you know, there is no reason for thinking that item to be of importance?—We have no reason to suppose that that is anything great.

2775. But if a man had been serving, say, in Africa or Persia, and was coming back to India, and the rupee had an artificial value in India, he would be likely to bring back rupees, in order to get the higher rate?—Yes, or he might get an order on India. And it is unlikely that such imports would now be any greater than they were before 1893.

2776. Still the tendency would be for the over-valued rupee to come back from the foreign country into India?—That is what was expected, certainly.

2777. It would be the natural thing?—So far as our returns go it has not occurred.

2778. But the money coming back in the pockets of the people in that way would not appear in your returns?—It would not.

2779. Then I think you expressed the opinion that probably some rupees had come out of hoards?—Yes.

2780. You could not say what amount, I imagine?—No.

2781. Did the amount appear to be large?—I do not think it has been large.

2782. Do you think it likely that the famine in the last two years might have caused rupees to have come out of hoards. Do you think distress would bring out money?—It is likely, but there is not much evidence of it.

2783. In former times the people did to an appreciable extent bring out and sell silver ornaments in time of famine?—Yes.

2784. And I suppose the presumption would be at the present day that a man would rather bring out

rupees than bring out his ornaments which he would have to sell at a much lower price than formerly?—Yes.

2785. On the other hand, do you think it is possible that many of the people of India may have gone on hoarding rupees just as they formerly did?—I think it is quite possible, and also probable.

2786. For example, a man of small means, who was in the habit of keeping 30, 40, or 50 rupees, might go on adding to them as he made money?—Yes. Personally I do not think that the habits of the people have changed in this respect in consequence of the closing of the mints.

2787. And the amount absorbed in that way might be something considerable?—It might. In fact the closing of the mints might give the native a greater inducement to hoard rupees if he knew that rupees had become more valuable.

2788. Do you think he would know that?—No, I do not think he would.

2789. Now, coming to the other side of the question, has there been any general fall in prices?—No.

2790. You are not aware of any fall in prices?—No.

2791. We know that prices are very difficult to deal with in India; the commodities which are generally bought and sold, are food grains, which rise and fall in price with the seasons?—Yes. For the last two years prices have been affected by the famine; I think myself that prices would have been higher during the famine, had the mints not been closed.

2792. The exchange has risen from 1s. 1d. to nearly 1s. 4d.?—Yes.

2793. Theoretically that would require a very considerable fall of prices, would it not?—Yes.

2794. I calculate the fall to be a little over 18 per cent.?—It would be something like that.

2795. Assuming, of course, that the rise in exchange was due solely to the contraction in currency?—Yes.

2796. You have already said that there has been in recent years considerable borrowing in England by India?—There has.

2797. And money has been raised in England by companies for expenditure in India, on the construction of railways?—Yes.

2798. That borrowing involved the remitting of money from England to India, or reduced remittances from India?—Yes.

2799. It would, therefore, to some extent, affect exchange?—It would, certainly.

2800. I cannot find in the despatch of the Government of India any allusion to that as a possible cause of a portion of the rise in exchange in recent years?—No, they have not mentioned that.

2801. Can you explain why they have not done so. Did they think it was of no importance?—No, but they thought that any effect that that would have would not be sufficient to counterbalance the lowering effect on exchange of the famine in the last two years.

2802. In the present year there is no famine?—There is not.

2803. But the borrowing still goes on?—Not to the same extent.

2804. Still it is large this year?—Yes, it is large.

2805. I find that the money to be borrowed by the Government in London this year is 2,615,000*l.*, and the net amount of money to be raised by railways, that are guaranteed, is 2,273,000*l.*?—Yes.

2806. Then there is a certain amount of money to be raised by companies that are not guaranteed?—Yes.

2807. Do you know how much they propose to raise?—I do not.

2808. I think it is at least 1½ millions. Do you consider that borrowing sufficiently large to materially affect exchange?—It would affect exchange.

2809. How do the Government of India make the calculation that the famine tended to lower exchange so much, and the borrowing tended to raise exchange

so much, and that the one cause balanced the other?—They do not make the calculation.

2810. They do not even allude to borrowing in their despatch?—Not in their despatch.

2811. I dare say you are aware that some people say that the whole of the rise of exchange is due to borrowing?—Yes.

2812. And the Government of India were aware of that?—Yes.

2813. Nevertheless they did not mention the subject?—They did not.

2814. In his evidence, before Lord Herschell's Committee, Mr. Hardie put the whole of the remittances from India, excluding payments for imports, at 22,000,000*l.* sterling. I asked Sir James Mackay if he thought that figure was too high or too low, and his answer was that he thought it rather understated the amount. Do you agree with Mr. Hardie or with Sir James Mackay?—It is very difficult indeed to say. I do not know whether there is any means of getting at it. The only means I can think of would be to take, say, over a long series of years, the balance of trade of India, the Secretary of State's bills would account for so much of that, and the difference would give the private obligations corresponding to the Secretary of State's drawing.

2815. Of course, if there was remittance of capital to and from India at that time, which you did not know of, but which probably took place, that would affect the result of that calculation?—Anything of that sort would affect it in one way or the other.

2816. The drawings of the Secretary of State are about 17,000,000*l.* sterling?—They are.

2817. And then there are profits on tea gardens, profits on jute mills, interest on Government paper owned by people in this country, profits of merchants, savings of Government officials, money remitted for their families. Does 22,000,000*l.* sterling appear to you to be too high?—That would leave 5,000,000*l.* sterling after deducting the Secretary of State's drawing. I think that is rather high than low. It is very difficult to get at the amount.

2818. But the amount over 17,000,000*l.* would be something very considerable?—It would be considerable.

2819. Now that amount of money, whatever it may be, has to be met by the surplus of exports over imports in the long run?—Yes.

2820. A great deal of that money might in any particular year be met by borrowing, but, in the long run, it has to be met by the surplus of exports over imports?—It must; excluding capital transactions again.

2821. I say in the long run?—Yes.

2822. Now, if the excess of exports over imports was not sufficient to pay that money in any year, that would be a sign that India was not fully meeting her liabilities in that year?—It would.

2823. In that case she must have met her liabilities by borrowing?—Yes.

2824. She is not bankrupt, and if she has not met her foreign liabilities by exports, she must have met them by borrowing in some form?—Yes.

2825. Now, if the contraction of the currency causes a rise of exchange, the way in which it operates, at least according to the generally accepted theory, is that prices in India would fall, and that the tendency of exports to increase, and imports to fall off, would bring about a rise of exchange. That is the mode of operation?—Yes.

2826. Will you look at the surplus of Indian exports over imports on private account in the years 1894–95 to 1896–97, and the rate of exchange? What is the surplus in 1894–95?—Rx. 37,246,000, and the exchange was 1s. 1½*d.*

2827. Then what was the surplus in 1895–96?—Rx. 35,820,000, and the exchange was 1s. 1½*d.*

2828. What was the surplus in 1896–97?—Rx. 23,850,000, and the exchange was 1s. 2½*d.*

2829. Then in 1897–98?—Rx. 14,303,000, and the exchange was 1s. 3½*d.*

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2830. During all that time the exchange was rising?—It was.

2831. And if it was the contraction of the currency that caused a rise of exchange, the mode of operation would be by increasing the exports and diminishing the imports?—Yes.

2832. That would lead, you would naturally expect, to a larger surplus every year or at any rate to a surplus that was not less than before?—Yes.

2833. If the contraction of the currency caused a rise in exchange, while exchange is rising from that cause, the surplus of exports over imports should tend to increase?—It should.

2834. But, in point of fact, the surplus has been diminishing during the last two years?—Yes.

2835. How do you account for that?—That is accounted for by the famine for the last two years. That famine caused a greater reduction in exports than in imports.

2836. Now I want to go back again to the borrowing. I have got here an abstract of the figures taken from the India Office return. In 1894-95 the Government of India paid off Rx. 1,172,338 of debt; in 1895-96 they paid off Rx. 584,812; in 1896-97 they borrowed Rx. 3,326,125; that is exclusive of the two millions from the currency reserve; in 1897-98 they borrowed Rx. 2,570,500. In 1898-99 the estimate of borrowing is Rx. 2,675,000. In addition the Government received the following sums from railway companies. In 1895-96, Rx. 163,800, in 1896-97, Rx. 328,200, in 1897-98, Rx. 704,800, in 1898-99 estimate, Rx. 1,440,000. Then, as regards borrowing, the Government and the guaranteed companies raised in 1894-95 2,339,765*l.* (that is in London). Then in 1895-96 they raised 939,133*l.* In 1896-97 they raised 2,720,901*l.* Then in 1897-98 they raised 10,138,281*l.* In 1898-99 4,888,300*l.* The companies that were not guaranteed raised in those years the following sums. In the calendar year 1894 475,927*l.*; in 1895 698,385*l.*; in 1896 1,849,444*l.* I have not got the figures for the two following years, but in 1897 for the six months up to the 30th June they raised 463,037*l.*, and this year they also intend to raise a considerable sum. Now do you think that that borrowing is sufficiently large to account for an appreciable proportion of the rise in exchange that has taken place since 1894-95?—Certainly.

2837. It would be impossible to say how much?—It would.

2838. Since the mints were closed the rupee value of the imports of silver has largely fallen off?—It has.

2839. We saw yesterday that it had fallen off from an average of about Rx. 12,000,000 yearly to about Rx. 6,000,000?—Yes.

2840. That is a reduced import into India of Rx. 6,000,000 worth of silver?—Yes.

2841. That would have an appreciable effect on exchange?—Yes.

2842. And the borrowing which we have seen is decidedly large, would also have an appreciable effect on exchange?—It would.

2843. There has been also a contraction of the currency which may have had an effect greater or less?—Yes.

2844. Then how is it possible under the circumstances to take the total rise in exchange and divide it between those three causes, the reduced import of silver, the higher borrowing, and the contraction of the currency?—I think it is very difficult to divide it.

2845. Is it not impossible?—I could not suggest any way of doing it.

2846. In their despatch the Government of India mention only the contraction of the currency?—Yes.

2847. Now what do you consider to be the cause of the high rate of discount in India, in the last two years?—I consider it is the diversion of currency from the Presidency towns. Capital has also been transferred from India.

2848. How has it been diverted from the Presidency towns?—The famine expenditure has taken away a

great many rupees, and also the war expenditure, and the railway expenditure.

2849. Take the famine expenditure; how was money found for the famine expenditure? Was it partly found from the revenue of Government?—It was entirely found from the Government revenue.

2850. Without borrowing?—Well there was a deficit in the year.

2851. And there was borrowing to meet that?—There was borrowing on the whole account.

2852. Assuming that the Government raises revenue and spends it in the relief of famine, would that affect the rate of discount in India; does it affect the supply of loanable capital?—Very much.

2853. In what way?—The Government borrows.

2854. But I say, assuming that the Government raises revenue and spends it in relief of famine, would that raise the rate of discount?—The revenue after collection is usually sent to head-quarters and kept in the Presidency towns to a great extent, and so made available for trade.

2855. Only to a limited extent?—All the surplus is made available by being offered to purchasers of Council bills.

2856. The expenditure on famine, you think, has helped in this way to cause a rise in the rate of discount?—Yes.

2857. The Government have sold fewer Council bills, and you think that is part of the cause of the rise in the rate of discount?—It is.

2858. Also there has been considerable borrowing by the Government in India during the last two years?—There has been borrowing.

2859. Considerable borrowing. In 1894-95 they paid off Rx. 1,172,000. That increased the supply of capital, did it not?—Yes.

2860. Then in 1895-96, they paid off Rx. 421,000 allowing for the receipt of capital raised by railway companies?—Yes.

2861. That increased the supply of capital?—Yes.

2862. And in 1896-97, they borrowed, including capital paid in by railway companies Rx. 3,654,000; in 1897-98, Rx. 3,275,000., and for the present year they estimate Rx. 4,115,000. That was a considerable drain on the capital in India?—It was.

2863. I do not know whether you recollect that the old principle on which the Finance Department of India acted was that you could not economically raise more than Rx. 2,500,000 in the Indian financial market year by year?—I thought it was 3 millions.

2864. At any rate, these borrowings for the two years, and the estimate for the present year, comes to rather more than what used to be thought the maximum that could be economically raised?—Yes.

2865. The Indian market for capital is very limited?—Yes.

2866. When rupees were borrowed in India in the old days a portion of that money used very frequently to come from London?—Certainly.

2867. I do not know whether you recollect a statement showing that about half of it came from London?—I thought it was more than half.

2868. Do you know whether this money that was borrowed in 1896-97 and 1897-98, has come from London to any extent?—I think it did in both years.

2869. In so far as money came from London, it did not impose any strain on the Indian money market, but so far as it came from London, it was another cause tending to raise exchange—the money having to be remitted from London?—Yes.

2870. I believe it was originally intended in 1897-98 to borrow Rx. 1,000,000 more than was actually borrowed?—It was intended to borrow Rx. 1,000,000 but the loan issued was for Rx. 3,000,000 only.

2871. How was that?—Because the Government was anxious not to put too great a strain upon the Indian market.

2872. In fact the supply of capital in the Indian market was short?—It was, and we also raised the rate of interest. We intended to raise the loan at

3 per cent. last year, whereas in fact we raised it at $3\frac{1}{2}$; we were afraid we should not get it at 3.

2873. The short supply of capital raised the rate of interest as it raised the rate of discount?—Yes.

2874. Now I want to ask you a few questions about the effect on exchange of different investments of British capital in India. I will first take the case of tea gardens. If 1,000,000*l.* of British capital were sent out to India to be invested in tea gardens, the remittance of that money to India for the time being would raise the rate of exchange?—Yes.

2875. After the tea gardens have been established the whole produce of the tea gardens practically is exported from India?—Yes.

2876. The tea is not consumed in India to any appreciable extent?—No.

2877. That would involve an addition to Indian exports?—It is.

2878. And ought to favourably affect the rate of exchange?—It ought.

2879. And no doubt does?—It must.

2880. So that if more tea gardens are established with British capital in India—the permanent effect is not to put down the rate of exchange, but to keep it higher than it otherwise would have been?—It is.

2881. I suppose the same thing would hold good with respect to jute mills and cotton mills?—Yes.

2882. Cotton mills produce goods for export, but partly for local consumption?—More for local consumption.

2883. So far as they produce for local consumption they diminish the imports of cotton goods. That is to say, instead of India buying cotton cloth from Manchester, it is made in India?—Or rather it meets a demand which Manchester does not supply, which Manchester might have supplied but for local production.

2884. So that the establishing of cotton mills in India, even though it be with British capital, has a distinctly favourable effect on exchange by diminishing imports and increasing exports?—Yes.

2885. Now I want to take the case of money borrowed in this country for unproductive expenditure in India, such as a war. The interest on that money would have to be paid in England?—The interest would have to be paid in England.

2886. And the payment of that interest would have an injurious effect on exchange?—It would.

2887. The war not increasing either the exports or imports?—No.

2888. Now I want to take the case of a railway. If money is raised in this country and spent on a railway in India, it is very probable that the railway would increase the exports from India?—It is.

2889. And afford greater facilities for the transport of Indian produce to the coast?—Yes.

2890. It might also and probably would, to some extent, increase imports?—Yes, by providing the same facilities for trade from the coast.

2891. The interest on the capital would have to be paid in London?—Yes.

2892. So whether the railway affected exchange favourably or unfavourably would very much depend upon the balance between these three different items—the exports, the imports, and the interest?—It would.

2893. A railway made in India with British capital might have a favourable effect on exchange?—It might.

2894. Or it might have an unfavourable effect?—It might.

2895. It would depend on the circumstances of the railway?—Yes.

2896. The famine, I think, began to be felt in India in 1896–97?—Yes, in October 1896.

2897. And in the same year the increased rate of borrowing in England began?—Yes.

2898. That was the year in which the rate of exchange showed a marked tendency to rise?—It was.

2899. And the higher rate of borrowing began in India in 1896–97?—Yes.

2900. That was the year in which the rate of discount in India rose?—It was—in November and December 1896.

2901. And it was in 1896–97 that the marked reduction took place in the surplus of Indian exports over Indian imports?—Yes from 35 crores to 23 crores.

2902. So that all these things appear to have started into being in 1896–97?—Yes.

2903. (*Sir C. Crosthwaite.*) The Government of India have received complaints from the centres of trade in the Presidency towns; they have had complaints of the contraction of the currency; and the stringency of the money market, and the high bank rate have been attributed to the contraction of the currency?—Yes.

2904. Has the Government of India received any complaints from the interior of the country of the same kind?—No, I think not.

2905. Have any of the provincial governments complained that the land revenue was more difficult to collect on account of the contraction of the currency?—They have not.

2906. The rate of interest is very high in the interior, as a rule, compared to the Presidency towns, is it not?—In petty transactions it is. The village money lenders' rate of interest is high.

2907. My object in asking you this is to find out whether there is any information as to the effect of the closing of the mints on the agricultural population. That was the reason why I referred to petty transactions of that kind—small transactions to enable a man to pay his rent or to pay his revenue. You know that a good deal of borrowing takes place as a matter of habit almost and custom; anyhow, it is a matter of very common practice to borrow money to pay rent and to pay revenue?—It is.

2908. Have you any idea at what rate money is borrowed for those purposes?—I think a good deal higher than the rates in the Presidency towns.

2909. Do you know that at the times at which rent and revenue are collected the rate charged to the agriculturist is higher than at other times of the year?—I believe it is.

2910. That is a normal thing?—It is.

2911. (*Chairman.*) Are these loans for very short periods?—Yes, on the security of the crops.

2912. (*Sir C. Crosthwaite.*) Or it may be on other securities?—Yes.

2913. (*Sir D. Barbour.*) For the purpose of enabling a man to pay his revenue before the crop is ready to come into the market?—Yes.

2914. That very high rate is not continued for the whole year?—I believe it is not.

2915. What I want to know is, have the provincial governments or their officers reported complaints from the people that since the closing of the mints these rates have been raised?—I have not heard of that.

2916. Now, I would ask on what grounds the redundancy of the rupee has been asserted. What is the basis of the Government of India's opinion that the rupee is redundant?—You mean redundant with reference to a rate of *1s. 4d.*?

2917. Yes, with reference to a rate of *1s. 4d.*?—There are more rupees in existence, they say, than are consistent with a rate of *1s. 4d.*

2918. But do they base that on the mere fact that the exchange will not keep at *1s. 4d.*?—Yes.

2919. Is it possible to say that the rupee, although redundant with reference to *1s. 4d.*, is not redundant with reference to *1s. 3d.*?—It is not possible to say it with reference to any particular rate. If you go low enough, you would certainly come to an exchange at which the rupee would not be redundant.

2920. It is merely because it does not go to *1s. 4d.*?—Yes.

2921. Do you think it would be possible to cause great inconvenience in the country before you got to *1s. 4d.* I suppose the currency can be redundant with reference to a rate, and yet not redundant with reference to the transactions of the country. A certain amount of rupees, especially in a country like India—

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a certain amount of actual coin, may be necessary for carrying on the business of the country. Is that so?—I suppose so. But the transactions would accommodate themselves through prices to a reduced currency.

2922. Then, do you think it is possible that there might be great inconvenience in the country caused by the actual want of coin, and yet the sterling value of the coin might be less than the point at which the Government of India was aiming?—I suppose it is possible, but there is no reason to believe that that is so. There have been no complaints of actual difficulty in getting rupees.

2923. How would it appear that it was so? When would you know that things were getting to that danger point at which you would cause great inconvenience to the country by the contraction of the currency?—If the payers of rent and land revenue found difficulty in getting rupees to discharge their liabilities, and if the merchants could not get credits to carry on their business.

2924. The merchants do say that that has occurred?—They do.

2925. What is the Government of India's answer to that?—That that has been caused by the diversion of currency from the trade centres to up-country places where it is not available for trade.

2926. And the fact that no such complaints have come from up-country places and the interior might so far support the Government of India's views?—Yes, it is merely a diversion of currency.

2927. (Chairman.) Are you able to answer the question: Has or has not the Government of India received any complaint whatever with reference to a stringency of the currency in the internal agricultural districts?—It has not, so far as I know.

2928. You, speaking for the Government of India, say that you have not received any official complaints? That is so.

2929. If such a stringency had existed, would you not, with the machinery of the Government of India, have received such complaints?—I think we should.

2930. (Sir A. Dent.) I should like to ask you one or two questions upon the despatch of the Government of India to the Secretary of State dated 3rd March. In paragraph 21 the Government of India say "the amount of coin required for needs of commerce increases every year"?—That is so.

2931. Then is the Government justified in deliberately stopping the supplies of the coin?—Not permanently, but the Government of India have not done that permanently, they are only in a transition state now. When we get the gold standard established there will be an automatic increase as required by trade.

2932. Anyhow, it has intentionally forced this coin very materially above its intrinsic value?—It has.

2933. And is it not rather the fact that the export trade is largely contributing towards that factor. It is said that the Government have saved some nine millions; is not that largely paid for by the exporters of tea, for instance?—By the exporter and the importer—the whole of the trade, the general taxpayer and the whole community.

2934. You say the importer as well pays it?—The whole trade and the whole community.

2935. Then there is a suggestion for melting down rupees. Would not such melting down of rupees have a very disastrous effect on the price of silver?—It might have some effect.

2936. And would it not also cause great consternation in the mind of every native holder of rupees?—I do not think so. I see no reason why it should.

2937. The Government maintain in another paragraph that they are under no obligation to consider the price of silver?—They say "Even if they were under an obligation."

2938. But how can they say that when it is the component of the whole of their currency at present, and must always be the paramount part of their currency?—They hope they have made the value

of the rupee independent of silver. But they are talking more of the general market in that paragraph than you have quoted.

2939. It is said that they propose to borrow gold in London?—It is.

2940. Would it not be possible to accumulate gold in other ways, say, for instance, by making duties payable in gold?—It would, or by buying gold in India.

2941. Is it not the fact that Russia requires a great deal of her duties to be paid in gold?—Yes.

(Chairman.) You mean Customs duties?

2942. (Sir A. Dent.) Yes. If India acquired gold in that way by a slower process than is now contemplated, would not that avoid the necessity of going to Parliament?—It would. It would not be necessary to go to Parliament to say that the import duties should be levied in gold; but it would be very undesirable to do so, and specially so until gold was declared legal tender.

2943. Is it necessary to go to Parliament to declare gold legal tender?—No, the Secretary of State could sanction that without going to Parliament.

2944. At the end of paragraph 21 there is a comparison with France?—Yes.

2945. But is it fair to compare India with France, who holds such large stocks of gold and silver in her vaults? According to the return at the end of May there was in the Bank of France 74,800,000*l.* in gold, and 49,000,000*l.* in silver?—France has a much larger stock of gold than India is ever likely to require, and gold would not go into circulation in India to any appreciable extent, whereas it does in France.

2946. How do you say that it goes very largely into circulation in France, when there are such enormous accumulations in the Bank of France itself?—I understand that it is in general circulation in France, nearly to as great an extent as the five franc pieces.

2947. (Mr. Campbell.) There are notes issued against it?—Notes are not issued specially against gold in France, I think. It is against gold and silver together.

(Chairman.) On page 23 of the Herschell Committee's report, there is this passage: "The notes of the Bank of France are convertible into gold or silver at the option of the bank. The bank pays gold freely for home use, but if gold is required in large quantities, especially for exportation, special arrangements must be made. There is no difficulty in maintaining the silver or the notes at their gold value."

2948. (Sir A. Dent.) Do you still think it is quite fair to compare India with France?—I think so, but the comparison here refers to the kind of gold standard proposed for India. We shall have a gold standard with the token coins legal tender to an unlimited amount. That is the comparison that is made. We should have the same kind of gold standard as they have in France.

2949. When the Government melt the rupees—if ever they do so—is it not contemplated to sell that silver in India?—It is.

2950. The Viceroy in his despatch apparently reckons very largely on the support of the Bengal, Madras, and Bombay Chambers of Commerce?—He does.

2951. Do you believe that their support will still be accorded to the scheme?—I have heard that it will not be, as regards the particular proposals of the Government of India, but as regards the main object of passing to a steady exchange and a gold standard, I believe it will be. I have not heard anything to show that the chambers have gone against that. They do differ as to the best method of attaining that object.

2952. I suppose you would admit that there is a good deal of difference between the merchants who are concerned in the exchange and the planter who is concerned in the exchange?—Yes.

2953. The merchant, I take it, does not care much what the exchange is?—So long as it is steady.

2954. But that does not apply to the planter. The high exchange is very much against him?—For a time. It is only temporarily.

2955. Therefore the merchants' interest is not always quite the same as the planters' on questions of exchange?—Not just for a short time, but permanently I should say they are identical, and that both of them would do much better if they had a steady exchange.

2956. (*Mr. Holland.*) We heard from a witness the other day that some of the native mints were still open to the coinage of silver?—Some of them are—a few.

2957. Can you tell me, as a matter of information, if their rupees have a circulation beyond their own territories?—Very slight, only on the borders, if at all.

2958. Are you free to say how the native rulers regard the currency proposals of the Government? Have you had any expression of opinion from any of them?—Well, I can only say that two native States, Bhopal and Kashmir have, since the closing of our mint, deliberately determined to adopt the British rupee.

2959. That might be done as a policy of self-defence, without implying an agreement with the Government currency proposals?—But if their own currency is better why should they adopt that policy in self defence? If they thought their own was a better currency, they would not have changed it.

2960. But is it not conceivable that the action of the Government might compel them to take a certain line?—You mean being comparatively small states in the middle of a large territory.

2961. They might find it to their own interests under the altered circumstances, to take a certain line, whereas they would not have done so if the circumstances had remained unchanged?—The inconvenience of the different currency was not so great when both currencies were based on silver.

2962. I do not understand whether you have given a direct answer, yes or no, as to whether the native rulers may be regarded as a whole as looking with favour on the proposals of the Government?—I have not heard of any approval or disapproval.

2963. You admit that by a contraction of the currency exchange has been raised—that that has been one of the factors in the rise in exchange?—That has been one of the factors.

2964. And I think you have admitted that by a still further contraction it would be likely to go higher still?—Yes.

2965. Do you admit that the Government is the gainer by a high rupee?—It will pay fewer rupees for its sterling expenditure with a high rupee than with a low rupee.

2966. Do you admit that India's greatest industry, which I suppose is agriculture, is a loser by a high rupee?—It is alleged that the agriculturists have been gaining by the continuous fall, because their land revenue and rents were fixed when the rate of exchange was higher. All that has happened, or will happen, will be to prevent their getting a still further gain; to stop the gain that they have been making through changes in the value of the rupee after their contracts were fixed. If the contracts had been fixed at a later date when prices had adjusted themselves to the lower exchange they would not have made that gain.

2967. Supposing they are, rightly or wrongly, gainers by a fall, then, conversely, we may suppose that they would be losers by a rise?—Yes, losers of the gain that they might otherwise have made.

2968. (*Chairman.*) I should like to get that clear. What is your starting point? The land settlement in India lasts for 30 years?—That is the usual term.

2969. The great bulk of the land settlement now in existence must have been fixed at a time when the rupee was much higher?—Yes; very few of them were fixed when the rate was as low as 1s. 4d.

2970. Therefore, supposing there was a fixed rate of exchange putting it back at 1s. 4d., that would involve no injustice to the tenant. He would still be

paying less land revenue than was fixed at the time of the settlement?—Exactly. Less land revenue than would have been levied if the present rate of exchange with the corresponding level of prices had prevailed when the settlements were made.

2971. (*Mr. Holland.*) Then if it could be established that the Government were the gainer, and that agriculture was a loser by a high rupee, it would follow that the interests of the Government of India would lie in one direction, and the interests of agriculturalists in another?—The Government must take account of the interests of the whole country, and strike a balance. If there are interests which happen to clash with the general interest, they must give way. But in the case you mention, the Government do not believe that that is any conflict of interests.

2972. Undoubtedly that is the highest function of government. It would not do for merely official interests to outweigh agricultural or other important interests?—No. The Government would not propose that. And they do not believe that their proposed measures would cause any injury to the agricultural industry.

2973. You admit that it is a serious undertaking for a government to link together two metals whose value, when they are left to themselves, is constantly changing?—It is a difficult matter; but what is proposed, is to link together gold and a limited number of silver rupees.

2974. In your opinion, do the difficulties and dangers of giving a fixed value to the rupee increase with the divergence between its currency value and its intrinsic value?—Once we have got the rupee fairly separated from silver, it is no longer dependent on silver. We make the rupee a simple token coin.

2975. It seems to impose a greater responsibility on the Government to maintain it, does it not?—We continue as a token the silver coin which was in existence before; and by making it a token we make its value independent of the metal in it.

2976. You admit that if rupees are to be withdrawn and melted down and sold as bullion, the tendency of that would be to decrease the price of silver in the open market?—It would during the period in which the bullion was being sold.

2977. And to that extent the tendency would be to increase the disparity?—It would.

2978. In paragraph 20 of the Government of India's proposals, a policy is contemplated of restricting silver on the one hand, and holding fast to gold on the other?—That is until the gold standard is thoroughly established. When it is thoroughly established there will be no need to hold fast to gold, when the rupee is firmly fixed at 1s. 4d.

2979. Still it has not a very good sound in the trader's ears, has it, to talk of restricting silver and holding fast to gold? You admit that a full supply of currency is necessary for helping trade and stimulating enterprise?—It is.

2980. And that a deficiency in the supply would hamper trade, and kill enterprise?—Yes; but the restriction proposed is only temporary, till the greater benefit of having a fixed exchange and a gold standard is secured.

2981. I should like to know if you agree with a paragraph that appears in a copy of the despatch addressed by the Court of Directors to the Governments of Bengal and Madras, dated 25th April 1806 (it is going back a long way), dealing with the currency of India. This is the paragraph I refer to: "Our gold coin should not be forced into circulation at a fixed value in regard to the silver coin, but left to find its own level, according to the usefulness it may possess as a coin being issued according to the market value of the metal." I presume you differ from that entirely?—It is quite impossible to have both metals legal tender without having a fixed ratio between them.

2982. Do you think if you accumulated a gold reserve you would be able to control the location of

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that reserve; that is, whether it shall be here or in India?—I think so, if you establish it in India.

2983. That being so, I take it you also differ from another paragraph in that same despatch, which reads as follows:—"It must be remembered, no regulation or expedient can be devised to keep the coin in any country where the balance of trade is against it." Do you differ from that?—You cannot keep coin which circulates at the value of the metal contained in it; but token coins do not go out to balance the trade. Of course there would be the risk of the gold entirely disappearing if enough of it were not accumulated.

2984. (Mr. Hambro.) You say that one of the objects you hope to obtain by the contraction of the currency is the raising of the price of the rupee—the exchange value of the rupee?—Yes.

2985. Suppose that the exchange value was 1s. 3d., and you contracted the coinage enough to drive it up to 1s. 4d., and suppose that all things were the same on this side—I mean prices of freights and so on—would not that be equal to a 7 per cent. tax on all production?—It would be making the rupees paid in payment of taxes more valuable. In all business transactions fewer rupees would be paid and received in proportion to the increase in the value of the rupee.

2986. Would it really mean a tax that the taxpayer perhaps did not see, but really a hidden tax on all the production of every farmer and everybody in India to the extent of 7 per cent.?—On everyone who had to pay to the Government taxes of an amount fixed in rupees before the change in value occurred.

2987. You say the contraction of the rupee would drive it from 1s. 3d. to 1s. 4d. That can only be done by the producer selling his products so low because he wants rupees, and the only way in which he can get rupees is to sell his products at a low price—that it will bring back gold from London for which he can exchange rupees?—Yes.

2988. Is not that virtually a 7 per cent. tax on all production from the soil—hidden, not exposed as a tax, but still a tax that the producer has to pay?—No; each rupee received would be more valuable, and the producer would find that they would go further in his purchases, payments of wages, &c.

2989. The loss to the Indian Government between 1s. 3d. and 1s. 4d. on its remittances home comes to about what?—Under two crores, Rs. 1,600,000.

2990. Call it two crores. What do you think would be the loss to India on a 7 per cent. tax on the whole production of India?—I suppose it would be very great.

2991. There is one counterbalancing thing it seems to me. It would cheapen imports to the extent of 7 per cent.?—Yes, it would lower all prices.

2992. (Sir D. Barbour.) Suppose that the exchange rises from 1s. 3d. to 1s. 4d., and that that leads to a general fall of prices proportionately, then every man who produces anything which he has to sell gets less for it?—Yes.

2993. If he has got anything to buy he pays less for it?—Yes.

2994. And, as the purchases and sales in a country always equal each other, because you cannot sell anything without somebody buying it, the loss might balance the gain on the whole?—Yes.

2995. (Mr. Hambro.) The loss balances the gain. You said that the Government borrowing would make money dearer; but if Government borrow from X., and pay it out to Y., I suppose it would only make it dearer during the time that it was in transit from the place of borrowing to the place of paying?—Yes, provided Y. is ready to lend it out as soon as he receives it.

2996. (Mr. Campbell.) In considering this question the Indian Government have to keep in view the sale of their Council bills?—They have.

2997. I mean the Indian Council requires to draw a normal amount of 17 to 17½ millions annually to provide for its home charges, and it is on their

success in doing this at not under 1s. 4d. that the establishment of 1s. 4d. rate would depend?—Yes.

2998. The 15 rupees to a sovereign is equal to 1s. 4d., and with shipping charges added sovereigns make a remittance to India at about 1s. 4½d.?—Yes.

2999. Then nobody would remit to India at 1s. 4½d. while he could get Council bills at 1s. 4d.?—No.

3000. So that the success of the scheme depends, in the first place, on the Government's ability to sell the whole of its Bills at not under 1s. 4d.?—Yes.

3001. In the five years succeeding 1893 they did not succeed in doing that, and practically no sovereigns have gone to India for currency purposes?—That is so, with a trifling exception.

3002. The Government of India endeavoured to hold for a high rate in 1893, and for a time refused to sell their bills under a certain limit; but the attempt to keep up exchange failed and they had to accept market rates?—They did.

3003. The result of selling these Council bills during those years is as follows. You can correct me if I am wrong, but I think I am right. In 1893–94 the sales were 9,530,000l. at an average of 1s. 2·54d.; in 1894–95 were 16,905,000l. at 1s. 1·10d.; in 1895–96 the sales were 17,664,000l. at 1s. 1·64d.; in 1896–97 the sales were 15,527,000l. at 1s. 2·45d.; in 1897–98 the sales were about 9,000,000l. net at 1s. 3·40d. So that in the two years when they sold their full quota of bills the rate was very much below 1s. 4d.?—In 1894–95 and 1895–96.

3004. Am I right in saying that the Government attribute their failure mainly to two causes, redundancy of currency and want of confidence in the stability of exchange?—Yes.

3005. Now as regards redundant currency. It is generally admitted, is it not, that the currency was redundant in 1893 and for some time after that?—It was, with reference to a rate of 1s. 4d.

3006. And this was apparent from the large accumulations of cash in the Presidency banks, that was one evidence of it, was it not?—There had been heavy imports of silver which was not wanted for immediate trade purposes, and which accumulated in the Presidency towns.

3007. But there has been a gradual contraction going on ever since, from various causes, such as the melting down of rupees, and the export of rupees and so forth. I think Sir David Barbour got from you that there had been a contraction from 128 crores in 1893 to 120 crores at the present time.

(Sir D. Barbour.) That was Mr. Harrison's estimate.

3008. (Mr. Campbell.) We see that at the present moment the cash balances in the Presidency banks are very low and the rate of interest is very high. Would that be against the theory that currency is redundant in those centres?—It is not redundant in those centres. The high rate of discount shows that there is less available currency in the Presidency towns than is wanted for trade.

3009. Then you say there is redundancy of currency elsewhere than in the Presidency towns, is that it?—On the whole, throughout India.

3010. I think you say that redundancy may be absolute or relative?—Yes.

3011. Does that mean that, while the currency may be actually diminished in volume, circumstances may have made it relatively redundant or redundant in relation to trade requirements?—Yes.

3012. It is a question of a high or a low rate of exchange. You say that currency may be redundant at 1s. 4d. but may not be redundant at 1s. 2d.?—That is so.

3013. Then according to that, would not a rise in exchange which would cause currency to be redundant be followed by unemployed money becoming more abundant, more plentiful?—You mean if it was a rise accompanied by a fall in the rate of interest or in the rate of discount.

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3014. You say a rate of 1s. 4d. would make currency redundant, whereas it would not be redundant at 1s. 2d. Then would not the rise from 1s. 2d. to 1s. 4d. imply that currency had become comparatively more plentiful and could not be employed to the same extent. Would a fall in exchange for the same reason be followed by money becoming dearer or scarcer?—Do you mean accompanied by a rise in prices?

3015. Yes. Unemployed money would become scarcer, would it not, a rise in prices would mean that more money was required for the trade of the country?—Yes.

3016. Then has your observation shown you that these effects follow. Have you found that when exchange was rising money became more abundant, and when exchange was falling money became scarcer?—No, the rates of discount have varied when exchange was falling, and when it was rising, in much the same way, according to the seasons of the year and the requirements of trade.

3017. Have you not rather found the contrary to be the case, that a rise in exchange was more often than not accompanied by dearer money?—Yes.

3018. And that when the mints were open a rise in exchange was accompanied by heavier shipments of silver for coinage?—Yes.

3019. If a rise of exchange meant redundancy of currency?—But the shipments of silver were often very great when exchange was falling too.

3020. But you said that when the mints were open a rise in exchange was accompanied by heavier shipments of silver for coinage?—Shipments of silver were more heavy in 1892–93 when exchange was falling, I think.

3021. At the seasons when exchange is rising, as a rule, are not the silver shipments heavier?—I think they are.

3022. On the theory of the effect of a rise or fall of exchange on the redundancy or otherwise of currency, such movements would be opposed to the natural order of things?—Such movements of silver are determined by the possibility of profit from the operation.

3023. Such movements as large shipments of silver to replenish the currency when exchange was rising, and a high rate of interest at the same time?—The high rate of interest and the shipment of silver show the large trade requirements of the time.

3024. Then that means that currency is not redundant?—That currency available for use as capital is not redundant.

3025. If a shrinkage of currency has been going on for the past five years, would it follow that currency was less redundant now than it was 18 months ago, exchange being at the same level now as it was then?—It would. With reference to the foregoing questions, I wish to explain that it is not alleged that a rise in exchange causes a redundancy of currency. What is meant is that if the token rupee is to be of a higher value, the number of rupees must be less; the number consistent with a value of 1s. 2d. will be excessive for a value of 1s. 4d.

3026. (Chairman.) You have admitted Mr. Campbell's argument; but is it the fact that currency is less redundant to-day than it was 18 months ago?—Less redundant.

3027. You say it is?—I do.

(Sir D. Barbour.) It is the argument of the Government of India that the redundancy will gradually decrease.

3028. (Mr. Campbell.) Are you aware that in December 1896 there was great monetary stringency in India?—There was.

3029. So much so that a financial panic was feared?—It was.

3030. And are you aware that at that time the Government took the unusual step, in order to ease the situation, of creating a fresh issue of two crores of currency notes?—They increased the amount of notes issued without the deposit of rupees in the currency reserve, thus releasing two crores of rupees from the

reserve; but that had been in contemplation for some time before.

3031. But was not this a strange step to take if the currency were already redundant?—They were dealing with the currency investment as a matter separate and apart from their currency policy. They found that the note circulation had increased. The policy is to put the investment of the currency reserve at as high a figure as is consistent with safety, that is, with the certain payment of all notes likely to be presented.

3032. But is it not within your knowledge that the reason they did it at the time was to ease the financial situation?—That was the reason they hurried it on and passed it specially quickly.

3033. The currency at the time, according to the Government theory, being redundant?—That was a month in which the famine had caused the land revenue collections to fall short by a crore, and the Government balances were low; when they were replenished by the addition of the two crores more Government money was placed in the presidency banks.

3034. Now, in the present stringent situation of money in India, have you any doubt that another issue of two or three crores of fresh currency would have the effect of relieving the stringency?—If it had been done last year?

3035. If it were done now?—Yes, if it were made available in the Presidency towns.

3036. Does not that indicate that it is more currency that is wanted at present, rather than less?—You could not have more silver currency without involving a fall in exchange.

3037. Then there is the question of want of confidence. The Government say, do they not, that exchange will not go to gold point, because whenever it approaches that rate English capitalists are eager to send their money home?—Yes.

3038. Do you consider that an indication that 1s. 4d. is thought to be a high rate?—I consider it an indication that the public do not yet believe that the Government will succeed in their policy of establishing the gold standard. I do not think it is in reference to a particular rate. I believe it would be the same thing if the rate aimed at were 1s. 3d. or 1s. 2d.

3039. If capitalists were persuaded that 1s. 4d. was a rate justified by ordinary trade conditions, would they be so anxious to send their money home from Calcutta, where it is worth 12 per cent., to London, where it is worth two or three per cent.?—If they were persuaded that the Government would succeed in their currency policy and establish a fixed rate of exchange, they would not wish to send their money home, but would retain it in India to earn the higher interest. The trade will adjust itself to any steady rate, 1s. 3d., or 1s. 2d., or 1s. 4d.

3040. At the present time does it not seem to show that merchants do not believe that under ordinary trade conditions 1s. 4d. can be maintained?—I do not think their want of confidence is in reference to the particular rate adopted.

3041. But if it was thought that natural trade influences would support the 1s. 4d. rate, would not the want of confidence disappear?—If they thought the 1s. 4d. rate was going to be established.

3042. But natural trade influences ought to keep it up. They are in doubt whether the Government are going to establish a 1s. 4d. rate; but does not want of confidence indicate that they cannot see that natural trade influences would maintain it?—But if the policy of the Government were reversed to-morrow, and the mints were opened, nothing could maintain it at 1s. 4d.

3043. It is a question of want of confidence?—Yes; it is a question of confidence.

3044. Does not it show that, unaided, trade will not support 1s. 4d.—unaided by the Government?—I do not think the want of confidence has anything to do with the rate.

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3045. Is it not on natural trade influences that the maintenance of the rate must depend in the long run? If the Government scheme is carried through, is it not on natural trade influences that the maintenance of the rate must depend?—The rate will be maintained through the balance of trade. The balance of trade will adjust itself to any rate.

3046. I think you admitted to Sir David Barbour that the rate of exchange would have the most important effect on the balance of trade?—Or rather that the balance of trade had a most important effect on the rate of exchange.

3047. What is the difference?—The one is a cause.

3048. It seems to me very much the same thing. If at 1s. 2d. you get a certain balance of trade, and if at 1s. 4d. you get a smaller balance of trade, that means that exchange has an influence on trade—on the trade balances?—I would rather say that it was the trade balances that had caused the alterations in exchange.

3049. Does it not come to the same thing?—They go together.

3050. If a high exchange means a low trade balance, a low exchange means a high trade balance. The two act on each other?—You mean a higher excess of exports over imports?

3051. Yes?—I do not think that depends on the rate of exchange.

3052. I think that you admitted that a higher exchange tended to check imports and a lower exchange tended to stimulate exports?—Yes, for a time, not permanently.

3053. There are always changes and fluctuations going on, and they always act, do they not?—Yes.

3054. Then, Government ask for sovereigns to be sent to the Treasury in exchange for 15 rupees each?—They say they will accept them. They do not ask for them.

3055. Are you aware that during the last five years the rupee price of gold in India has never fallen to the equivalent of 15 rupees per sovereign?—It has not.

3056. A higher price has always been obtainable in the open market?—Yes.

3057. And India has imported gold to a large extent at a higher price?—It has, but not every year. In one out of the five years there was a net export.

3058. During the last year, 1897, they have imported considerably. Would you consider that an indication that gold is undervalued at 15 rupees to the sovereign?—It is certainly undervalued so long as the rate of exchange is under 1s. 4d. The Government offers a lower price than the market.

3059. The market will give 15½ rupees while the Government will only give 15 rupees?—15 rupees 4 annas or 15 rupees 5 annas.

3060. Then may I take it that the present proposals are intended to make 1s. 4d. effective by removing the two causes which have in the view of the Government of India so far prevented its success?—Yes.

3061. The redundant currency is to be cured by melting down and selling as bullion 10 crores of the rupee circulation annually until the redundancy disappears?—10 crores, or as much as may be necessary.

3062. The despatch says nothing about being necessary. I think it talks of the first 10 crores as being absolute?—In paragraph 9 they say, "We consider, therefore, that the remedy for this state of things is to remove from circulation as money so much of the increases which were made to the circulating medium immediately before 1893 as we may find to be redundant." Then in paragraph 10 they say, "It is impossible with any exactness to say, and it can only be ascertained by actual experience, by how much this rupee circulation has to be decreased in order to remove its redundancy."

3063. I think we may assume that there is a great possibility of 10 crores being melted in the first year?—That is quite possible.

3064. That would be equivalent as long as it lasted to adding 4,000,000l. sterling worth of silver to the annual output?—It would be putting on the market an additional amount of silver.

3065. £4,000,000 more, in addition to the ordinary output of silver?—Yes. Of course, the price we take here allows for the fall that would be caused. At the present market prices, 10 crores would realise more than 4,000,000l.

3066. The present price of silver is 69 in India?—It was 71·3 in March. That is the latest figure I have.

3067. You may take it it is about 69; that is, 69 rupees for 100 tolas of fine silver?—Very well, I will take that from you. I thought it was for silver ½ this fine.

3068. No, you will find it is fine silver. Now 100 tolas of fine silver would mint out about 108½ rupees?—Yes.

3069. So that the price of 100 tolas of rupees, or of standard coin, would be about 63 per 100 tolas?—I will take that from you.

3070. So that, in that way, the 10 crores of melted rupees would realise Rs. 6,30,00,000, assuming the price of silver remained where it is?—Yes.

3071. But of course foreign competition cannot be kept out?—Imports of silver, you mean.

3072. Yes. America and other sellers of silver would still try to sell silver, and it would be only by underselling them that the Government would sell its full amount?—Yes.

3073. Under those circumstances, do you think that 63, the current rate, would be likely to be got for such a large quantity?—Not if it is sold all at once.

3074. Even over 12 months?—Possibly it might go a little lower.

3075. Would it not have the effect of impressing on the natives the fact that the rupee is intrinsically worth very little more than half its face value?—If the Government sold so low, do you mean?

3076. Yes?—I think not. Of course the fact is before them now.

3077. But it is a very unusual proceeding to melt down rupees?—In India it has not been done, but other countries that have passed from a silver standard to a gold standard have melted down their silver coins.

3078. I am speaking of India. Would the fact that the Government were melting rupees become generally known in the bazaars?—It would be known.

3079. You do not think it would have any disquieting effect?—I do not see why it should.

3080. Now as to the effect of such a step on the money market, considering the existing stringency, do you think that 10 crores of currency could be withdrawn from circulation with safety or without creating a dangerous crisis?—It would be withdrawn from the Government balances; we should not take other people's rupees; we should take the balances in our own treasuries.

3081. But the balances in your own treasury would be diminished by so much?—Yes, and the place of that silver would be taken by gold to the extent of Rs. 4,000,000.

3082. (Sir D. Barbour.) The six crores would be drawn from the outside currency?—Yes.

3083. (Mr. Campbell.) Then would the effect of this step not be to act on the exchange through the influence on the money market. Contracting the currency would have an effect on the money market, would it not?—If the six crores all came from the capital available for trade purposes, yes.

3084. But the Government idea is that if so much currency is withdrawn, the effect on the market will be such that gold will be remitted out to replace it?—Yes.

3085. Then would it be describing the Government proposal correctly to say that it relies on attaining success by perpetuating a stringent money market in India?—No.

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3086. You would not admit that? — No. The stringency would at once be relieved by gold coming in. Any contraction of the currency by melting down rupees we hope to replace by gold.

3087. There would be stringency, but you would depend upon the gold coming in?—On the rise in exchange. A rise in exchange might occur without stringency.

3088. Is not the Government saying, in effect, that if trade influences will not suffice to bring in gold, they will melt down silver currency to compel sovereigns to come in?—They will melt down rupees to a sufficient extent to make these coins of the value of 1s. 4d.

3089. Would not that be justly described as an attempt to carry their point by putting pressure on the money market?—I hardly think so. It is changing the standard.

3090. Then you said the melting down of rupees would only be carried out if found necessary?—Yes.

3091. The test of necessity being that the exchange must be maintained at 1s. 4d.?—Yes.

3092. If 1s. 4d. is not established otherwise, the melting down will be proceeded with?—Yes.

3093. And carried on till the desired end is attained?—Yes.

3094. If the melting down of rupees is not found necessary, will the rest of the programme be carried out?—The borrowing, you mean—yes, it will. That is the first part of the programme, and the more important part.

3095. The Government is to borrow 5,000,000*l.* a year so long as may be necessary up to four years, and to send out sovereigns to India until a sufficient stock has been accumulated to make it safe in their judgment to declare convertibility?—To declare gold a legal tender.

3096. Or declare convertibility; that is to say, that the Government will then issue a sovereign for 15 rupees, as well as take in a sovereign for 15 rupees?—They do not contemplate doing that by law. There will be practical convertibility. The rupee will be worth 1s. 4d., Rs. 15 and a sovereign will have the same value; every one will know that he will be able at any time to exchange the one for the other, and so far as the value is concerned no one will care whether he has in his possession 15 rupees or a sovereign. He will decide which he wishes to keep according to the convenience of his temporary needs, just as in this country a man decides whether to have in his pocket a five-pound note or five sovereigns, or twenty shillings or one sovereign.

3097. But when gold as legal tender is declared, will the Government then give a sovereign to any man bringing 15 rupees; they might perhaps put on 2 annas for a margin?—When the equality of Rs. 15 to the sovereign is finally and effectively established, the Government will without being bound by law be willing, like the public, to exchange one for the other.

3098. (Chairman.) Where do the Government propose that at any time they shall be under an undertaking to give a sovereign for every 15 rupees presented to them?—They do not propose that.

3099. Then that is not convertibility?—But they look forward to the time when the two will be exactly equivalent, and be generally exchanged one for the other, as twenty shillings are for a sovereign in this country.

3100. That is another question. If I take 100 shillings to the English Treasury they are not bound to give me five sovereigns for them?—But you have no difficulty in getting them.

3101. That is totally outside any obligation of the Government?—Yes.

3102. (Mr. Campbell.) At the end of paragraph 21 they say, "We shall have attained a gold standard under conditions not dissimilar from those prevailing in France, though not a gold circulation in the English sense; and this last may possibly not be necessary at all." Your argument

just now was that possibly it would be necessary, and that possibly and probably it would come about eventually?—But in paragraph 20 they say, "It is not our intention to part with any of the gold in our possession until this condition of things is reached."

3103. (Chairman.) What we want to get at from you, and through you from the Government of India, is whether this proposal is based on the assumption that they were proposing convertibility, namely, that they would give gold for rupees, or rupees for gold?—They do not propose to undertake that as a legal obligation.

3104. (Mr. Campbell.) In the meantime, the five millions would be held in the Treasury?—Yes.

3105. Or, if that should be inconvenient, it would be handed over to the currency department, and 7½ crores of cash or currency notes taken out?—Yes.

3106. Do you think the Government could avoid handing over this five millions to the currency department almost as soon as they got it. Would not the Government's financial position be strained by holding in the Treasury 7½ crores of non-legal-tender gold?—It would be borrowed in addition to their ordinary transactions of the year. It would be in addition to the existing cash balance.

3107. But there would be 10 crores taken out of the cash balances for melting down silver, so that they would pay out 10 crores, and only get 7½ crores back?—But they would also get Rx. 6,000,000 from the sale of the silver bullion.

3108. Do not you think that their financial position might compel them to hand it over almost at once?—It is possible.

3109. Their balance falls pretty low, sometimes?—During November and December, yes.

3110. And 7½ crores might represent a large proportion of the total?—Yes.

3111. Then what would be the position of the currency department; at present, what is the total note issue?—About 24 crores.

3112. And how much coin do they hold now?—10 crores invested and 14 crores coin.

3113. If the Government handed over the gold to the currency department, what would be the position of the currency department then?—They would then have 7½ crores of gold, and 6½ crores of rupees, and 10 crores of investment.

3114. Would not they have more. If it was taken out from them in notes their circulation, for the time, would increase?—Yes; if the number of notes were increased, that would be the position.

3115. You would pay it over in notes to begin with, would you not?—That could be done.

3116. So that then the position would be 31½ crores of notes, 14 crores of coin, 7½ crores of non-legal tender gold, and 10 crores of Government securities?—Yes, if the note circulation was increased by the amount.

3117. Yes. You would have 31½ crores of notes out, against which you would hold 14 crores of legal tender?—Yes.

3118. But supposing the note circulation again went back to the 24 crores, at which it stands now, the position then would be 24 crores of notes, and only 6½ crores of legal tender?—Yes.

3119. Would that be a safe position for the currency department to be in?—It would, with the result that we look forward to, when we declare gold to be legal tender.

3120. Might it not oblige the Government to make gold legal tender sooner than they contemplated, just to relieve the position of the currency department?—In that case, if there was any danger of the currency reserve being depleted and its being unsafe to keep so much gold in it, they would have to keep it out of the currency reserve and substitute rupees for it.

3121. Their only other means would be to take it back into the Treasury. Then, during all this time, Government would still be obliged to sell its 17,000,000*l.* Council bills yearly?—Yes.

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3122. Having initiated the scheme, would they hold out for a 1s. 4d. rate, or would they meet the market and accept the current rate?—They do not propose to recommend the Secretary of State to hold out for any rate.

3123. They would not propose to resort to sterling borrowing in order to keep up the rate?—In addition to what is here proposed?

3124. Yes?—No, they do not propose to try to hold out for any particular rate.

3125. The Government despatch points out one feature in the scheme which would assist the Government in selling their Council bills at 1s. 4d., while the scheme was in progress; I mean the effect of six crores worth of silver in shutting out a corresponding amount of silver from abroad, and thereby adding to the trade balance which falls to be settled by Council bills?—Yes.

3126. And that would of course tend to support exchange while the process was going on?—Yes.

3127. But if rupees were not melted, Government would be deprived of that assistance?—Yes.

3128. Now I think you admitted to Sir David Barbour that it is on the balance of exports over imports that India must in the long run depend for liquidating her foreign obligations?—Yes.

3129. And you also admitted that exchange has an important influence on the balance of trade?—I admitted that they are closely connected.

3130. Now we come to the ratio. In introducing the Act in 1893 in the Calcutta Legislative Council, Sir David Barbour said this, "The ratio of exchange between gold and the silver rupees has not been finally settled. The making of gold legal tender, and the ratio of exchange, as compared with the rupees, at which gold shall be made legal tender are matters which must be settled by legislative enactment, and in the light of future experience." Then is it in the light of past experience that Government has decided on 1s. 4d. as the proper ratio?—It is in the light of past experience that it has decided not to try to go higher than 1s. 4d.

3131. Does that mean that experience points to 1s. 4d. as being a proper ratio?—I do not say higher than 1s. 4d., but 1s. 4d.?—As being the highest that they ought to try to establish, involving the least change.

3132. We know what the experience of the last five years has been, and that is what you consider justified Government in adopting 1s. 4d.?—In saying that they will not try to go higher than 1s. 4d.

3133. (Chairman.) But will you tell us why they will not go lower?—Well, they did not contemplate going lower; they rather looked to going higher.

3134. (Mr. Campbell.) But what I mean is, does experience justify the Government in concluding that 1s. 4d. is the proper rate?—I do not think there is anything in the past experience showing that 1s. 4d. is not a proper rate.

3135. (Chairman.) What is there to show that it is a more proper rate than 1s. 3d.? What I really want to know is why your Department selected 1s. 4d.?—1s. 4d. was named as the rate up to which they would allow exchange to rise, at the time the mints were closed. The public generally expected that to be the final rate—at least the minimum rate. The public believed that the Government of India intended to establish the gold standard at 1s. 4d.

3136. What you say is, that one reason was that the report of the Herschell Committee, and, of course, the subsequent administrative action of the Government of India, bound them to buy gold and to fix prices at 1s. 4d.; that is, of course, a very strong reason, so far as it goes, but can you give us any other reason but that? The feeling of the mercantile classes and other classes that it ought to be fixed?—There is an objection to make any change from 1s. 4d.

3137. But it is not now 1s. 4d. This year the Secretary of State has budgeted on the theory that the exchange will be only 1s. 3½d.?—Yes, but the universal expectation is that the gold rate will be esta-

blished on the 1s. 4d. basis and any going down below that would tend to shake confidence.

3138. (Mr. Campbell.) I do not think general anticipation has anything to do with the rate being a proper rate?—I do not see that one rate is more proper than another. The best rate is the one nearest to the one prevailing at the time when you make the change.

3139. The ratio, of course, you will admit, is the crux of the whole question?—It is a very important question.

3140. We have silver selling at a price which makes the silver value of the rupee about 10d.?—Yes.

3141. Am I right in stating the problem in this way? The problem is to establish a gold ratio for the coined rupee which, while much higher than its intrinsic value, will yet attract gold to India in exchange for rupees until a sufficient stock of gold has been acquired to enable the gold standard to be made effective?—I would rather put it that the problem is to fix the number of rupees at such an amount as will give the desired ratio to gold.

3142. I say to establish a gold ratio?—Yes.

3143. That is the problem. Now what would you consider the test of a proper ratio?—I consider the best ratio is one that makes the least change from existing circumstances when the change is made.

3144. Would you consider it essential that it should be a ratio which should not injure Indian trade or industry?—Yes.

3145. Or affect injuriously the interests of the mass of the population?—Yes.

3146. Would not cripple or check production?—Yes.

3147. Would be effective under normal trade conditions, and would not require artificial support to insure its maintenance. I do not say its establishment, but its maintenance?—I do not quite know what you mean by artificial support.

3148. If you borrowed 10 millions to enable you to sell only 7 millions' worth of Council bills every year?—You do not call closing the mints artificial?

3149. No; continual borrowing I mean?—It would be essential that the maintenance of the rate should not be dependent on continual borrowing.

3150. Now, what, in your opinion, would be the best way of ascertaining a proper ratio?—I take it you should keep as near as possible to the rate existing at the time the change was made. When the change was first contemplated in 1892 the rate was not much below 1s. 4d. Now it is about 1s. 4d., so that 1s. 4d. does not involve any great change.

3151. In the only two years since 1893 when the Council sold their 17 millions, the exchange went to 1s. 1d.?—Yes.

3152. Would you require experience in such a matter to be very clear and decisive?—If there was any possibility of getting any clear or decisive experience showing that one rate was preferable to another.

3153. Government have always to sell their 17 millions a year?—Yes.

3154. For which they very properly desire to get the best rate possible?—They do.

3155. May not their interest in this direction be apt to bias them unconsciously in the choice of a ratio?—You mean desire to get it higher than 1s. 4d.?

3156. Yes?—I do not think Government would allow themselves to be biased.

3157. Not consciously—I say unconsciously?—They very strongly resisted going above 1s. 4d. last year in the interests of the country at large, in spite of the great benefit that would have accrued to the revenue if we had gone to 1s. 11d.

3158. Of course, it would not be to the Government's interest to impose an unwarrantably high rate?—No, I do not know that any rate is an unwarrantably high rate. Once it is established and steady, the trade would go on just as well on one rate as on

another. There would be disturbance in passing from one rate to another, that is all.

3159. In the absence of anything unmistakably pointing to a certain ratio, would you consider it sufficient for the Government to select a ratio which it considered suitable, and take artificial steps to make it effective?—Take steps to make it effective.

3160. Would such a course not tend to obscure the proper ratio, to make it more difficult to discover?—I cannot understand the expression "proper ratio."

3161. Workable ratio?—One ratio is as workable as another, once it is firmly established.

3161a. But how are you to establish it firmly if it is not a ratio that is natural to the trade requirements?—For trade purposes it seems to me immaterial what rate is adopted.

3162. Do you think it is immaterial what rate is adopted?—Once it is established. After the first disturbance is over, any rate will suit trade.

3163. (*Chairman.*) Then, supposing the Government of India had agreed, say, on the one hand that the rupee should be practically the same as a shilling, namely, that there should be 20 to the sovereign, or, on the other hand, that it should accept the proposals of the American envoys last year for a ratio of 15½ to 1, which would bring it to 1s. 11d., do you mean that whichever of those were established it would not matter?—I think so, after the disturbance caused by the change of rate had passed away.

3164. (*Mr. Campbell.*) If the one ratio would work as well as another, once it were established, why not go to 2s.?—Because it would involve too great a change from present conditions.

3165. But you might do it gradually?—But there are great objections to going up gradually. It takes a long time, and the trade would be disturbed during the whole time of the rise. Also so high a rate might necessitate re-adjustments of land revenue settled when exchange was below 2s.

3166. Do you admit that there is a natural and proper ratio, if it could only be found?—Once you have got your token rupees down to a certain number, there will be a ratio.

3167. So long as you are working under artificial conditions, is it not impossible to tell whether you have got a proper ratio or not?—It is difficult to tell what would have been the ratio the last few years if there had been no unusual circumstances in those years.

3168. Now, going forward to the time when the thing is complete, and Government thinks itself in a position to make gold legal tender, you would then hold, I suppose, for 1s. 4d. for Council bills?—The rate of 1s. 4d. would be offered by the market for Council bills if the rate was established, and the scheme was successful.

2169. I ask, would you hold for a limit of 1s. 4d.?—I do not expect they would; but the Government have not as yet given any decision on that point.

3170. Would it not be taking up a very false position if the Government made sovereigns legal tender in Calcutta at 15 rupees, while at the same time buying sovereigns themselves in London at 16. To sell under 1s. 4d. means to pay more than 15 rupees for the sovereign?—That does mean to pay more than Rs. 15 for the sovereign.

3171. Would it not be a very inconsistent attitude for the Government to take up, to make sovereigns legal tender in Calcutta at 15 rupees, and at the same time to pay 15½ or 16 for them in London?—I do not think they would declare gold legal tender until it was practically certain that they would not have to do that.

3172. I say when they made it legal tender, would they stand out for 1s. 4d. for their bills?—The Government have not yet said anything on that point. They have given their proposals up to that stage, that is all.

3173. Then you cannot say whether they will hold out for 1s. 4d. or not?—No.

3174. (*Chairman.*) Then you do not see the difficulty of buying at one price in London and selling at another price in Calcutta?—I see the difficulty.

3175. (*Mr. Campbell.*) Then take it that they hold for 1s. 4d. In the event of their failing to sell the 17 millions annually at 1s. 4d., what would they do then?—The remittance of gold from India would enable them to reduce the sales of Council bills and meet the needs of the Home Treasury. If that step was not sufficient to re-establish 1s. 4d. it would show that the sterling borrowing or the melting of rupees had been insufficient, and the scheme would have broken down; it would not have been completed; the measures would have failed.

3176. They could borrow sterling?—They could borrow sterling.

3177. They could bring back some of the gold from India?—They could avoid drawing by bringing back some of the gold from India.

3178. But that expedient would only last so long as they had any gold there?—Exactly.

3179. In fact it would mean, as you say, a breakdown of the scheme?—It would for the time.

3180. (*Mr. Le Marchant.*) You were asked some questions about the causes that determine exchange, and the relation of exports to imports. I understand you to say that it was a material, perhaps I may say a predominant, cause in determining the exchange?—Yes.

3181. Do I read the despatch of the Government of India aright in taking also the amount of currency as bearing on the rate of exchange?—Yes.

3182. I will put my question in another way. It appears to me that they consider that in the event of currency, lying for the moment in the hands of the banks in India, being more than the immediate trade wants require, which I read to mean redundant—redundant in that particular quarter—that in itself tends to lower the exchange value of the rupee?—Yes.

3183. In that respect it has similarities to a large inconvertible paper circulation. Suppose the case of a country with a large amount of inconvertible paper like Brazil; a large volume of that currency tends to affect exchange?—I think so.

3184. And in that way exchange will be affected by the excess or deficiency of the volume of currency, independently of the demand for remittances arising in the course of trade?—Yes.

3185. Is the proposition to regard the amount of currency which in slack times fulfils the want of trade consistently with the rate of 1s. 4d. as what you would call the minimum amount required?—Yes.

3186. And any excess above that, such as is wanted when trade is active and crops moving, is the marginal amount of currency which you look forward to being supplied by gold when the rate of 1s. 4d. is operative?—Exactly, that amount at least.

3187. Is the object of the Government of India, in proposing to remove currency out of banking centres in the slack season, to assure the community that a rate of 1s. 4d. will be maintained, so that if they send gold into the country they may count on getting it out at that rate?—Yes.

3187a. Would you regard the token currency as being redundant by so much as it may exceed the amount which is sufficient for trade wants in the slack season with an exchange of 1s. 4d.?—Yes, the number of the token rupees should be such as is consistent in the slack season with the maintenance of the rupee at 1s. 4d.

3188. When you say consistent with the maintenance of the rupee at 1s. 4d., will you test it in this way? Suppose rupees were actual pieces of gold of the value of 1s. 4d.; if the amount in circulation at the slack season exceeded what you view as the proper maximum, would that excess tend to flow out abroad as not being wanted?—Exactly.

3189. Just as in any other country with an actual working gold circulation, in the event of a particularly slack time, the tendency of that gold is to flow abroad. That would be the measure of what you would view as the proper maximum of silver tokens?—Yes.

3190. Would you regard being on a common gold basis as the easiest way in which the in-flow and

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out-flow of this margin of currency would be determined?—Yes.

3191. That is to say, that the trade could more easily obtain the currency it wants in active seasons, and in the same way the currency that was not wanted in slack seasons would more readily leave the country?—Do you mean if the whole currency were gold?

3192. I mean if you obtain an effective gold basis?—The margin that would flow out and flow in would be in gold.

3193. And would flow in and flow out more readily in that way than any other?—Certainly.

3194. Your measure then would, in your opinion, tend to diminish stringency during the busy season by supplying money in the manner best adapted to trade requirements?—Yes, by the in-flow and out-flow of gold.

3195. Do you think by having a common standard of value working effectively in the way described, you would bring prices in India most directly into relations with prices in gold countries?—They would really be gold prices, once we had passed to a gold basis.

3196. And to that extent the influence on trade which is now exercised by variations in exchange would then be exercised directly by variations in price?—Yes.

3197. The result of that would be that the pressure to bring the balance of trade, or I would rather say the balance of payments, to an equilibrium would fall as directly as possible on prices. Thus, the basis of currency being gold, the rate of exchange would vary as little as possible, but pressure would be exercised on prices, either to produce exports, or to encourage imports, and so to bring the balance of payments to an equilibrium?—Yes.

3198. So the theory on which the Government proposals are based is that the balance of payments would be equalised by the action of prices, and not by extreme variations of exchange?—Yes.

3199. And you aim at stability of exchange assisted by the close relation between prices in India and abroad?—Yes.

3200. Is it the view of the Government of India that the contraction of the currency does bear directly on exchange?—It is.

3201. That it is one of the essential conditions to take into account?—Certainly.

3202. Do the Government think that this contraction and its effects would be sufficient to induce the public to import gold when currency is wanted at the active season?—Yes.

3203. They look on that as the undoubted result?—If the rupees were not sufficient for the requirements of the busy season the public would import gold.

3204. However, gold is not being imported at present (whether owing to want of confidence or other causes). Do you consider the supply of currency at the moment insufficient for the immediate wants of trade?—Yes, in the trade centres.

3205. It may be owing to exceptional circumstances, but you think it is so for the moment?—Yes.

3206. (Chairman.) Do you think at the present moment there is a restriction in the currency of India as a whole?—No, I do not think there is.

3207. (Mr. Le Marchant.) But perhaps there may be a want in particular places, for instance, in banking centres?—The high rate of discount indicates that there is.

3208. Yet gold is not imported?—Gold is not imported.

3209. Under this scheme, however, the Government are satisfied that confidence would be created, and gold would come in?—Yes. Last cold weather, if there had been confidence that the scheme would have been carried through, I think gold would have been imported in much larger quantities than it was.

3210. You were asked as to the view of the Government of India about rupees being redundant at one rate and not at another. How do you test that; do you test it by prices, or in what way; do you

mean that more currency is wanted when prices are higher?—Yes.

3211. And would that occur with a low exchange or a high exchange?—With the low exchange, higher prices.

3212. Do you mean that prices would be high in India as compared with what they would have been at a higher exchange?—Yes.

3213. The "high" is relative?—Yes.

3214. Would you say, from your experience, that low exchange causes high prices in India?—The tendency would be for prices to go up.

3215. Would that be permanent?—I think so.

3216. How far do you regard high prices as a gain to the country?—I do not think that high prices are a gain to the country. The best thing for a country is that prices should keep as nearly steady as possible; they should not vary either up or down.

3217. (Chairman.) Would you say that in connexion with articles of food; is it not more to the advantage of the country that food should be cheap rather than dear?—That it should get cheaper and cheaper you mean?

3218. Yes?—It must vary with the progress of production, and so on.

3219. But if a country like this buys its bread and sugar and tea, and so on, cheaper, is not that an advantage?—I think any variation of price which is due primarily to the standard is bad. A fall in prices due to a lessening of the real cost of production as measured in labour and capital is of course a gain.

3220. (Mr. Le Marchant.) With regard to the gain or loss arising out of exchange. You were asked if some interests in India gained by a high exchange or a low exchange. Is it the case that what some gain others lose?—I think it is.

3221. In fact, would you view it as a distribution within the country of gain or loss?—Yes. If more is got for exports, the more will have to be paid for imports.

3222. But, as among the different interests in the country itself, would it be the case that those who had produce to sell for export would receive more, and those who had to buy it to remit to England would pay more?—I think what the one would gain, the other would lose.

3223. Now, what is the position of the Government? If prices rise from a low exchange, do they have practically to pay more in rupees for their remittances to London as exchange falls?—They have.

3224. Who pays that eventually?—The country—the Government.

3225. The sterling payments have to be met in some manner in London, have they not?—Yes.

3226. Eventually from what fund?—From the taxation of the country.

3227. With regard to the mode of payment or remittance generally, would you view remittances from India as provided by exports?—Yes.

3228. Would you consider that all remittances from India, whether on the part of the Government, or on the part of private individuals, are made, directly or indirectly, by means of bills against exports?—Yes; the exports would have to be sent to the amount of the whole.

3229. If, on the other hand, a demand for money remittances from England to India exists, might that be a set-off, to some extent, to a demand for remittances in the opposite direction?—They would counterbalance.

3230. Might you, in that way, have a considerable amount of banking remittances either way set off against one another, over and above imports and exports?—You might, but I should think that as a rule the remittances would all be covered by exports and imports.

3231. With regard to the rate of exchange of which you have been speaking, 1s. 4d., how far can you point from experience to any facts on which a rate

can be based; can you point to natural conditions of exchange in any way in India?—I do not think so.

3232. Would you take into account all conditions which influence exchange; for instance, if you look at the facts of the last few years, have you observed not only the exports and imports that have been alluded to, but also sterling borrowing?—There has been sterling borrowing.

3233. And that has had a bearing on exchange and power of remittance?—It has.

3234. Has that sterling borrowing by Government had an effect on exchange in any way different from that exercised by capital which the public may have raised and transmitted to India?—I do not think it has.

3235. How far, in considering a rate of exchange, do you consider it necessary to exclude the consideration of sterling capital in future being raised and sent to India? You have the fact in recent years of sterling capital being raised and causing a demand for remittance to India. Do you consider that one of the facts that have gone to determine exchange?—I do.

3236. In considering the future, do you exclude the consideration of any future capital being raised and sent out to India?—No; I think there will be capital raised in future.

3237. Do you think a stable rate would be an inducement, or the reverse, to capital to go out?—A very great inducement to capital to go out.

3238. Would you therefore take the possible raising and sending of capital to India as a probable condition?—Certainly. There is a great field for the employment of capital in India, and it would go there if they had a stable exchange.

3239. And it would to that extent affect exchange?—Yes.

3240. With regard to the power of India to remit, you were asked how far it was proposed to artificially support the rate of exchange. What should you say takes place in other countries on a gold basis who have to remit?—If the exports are not sufficient they send gold.

3241. Where would you consider the main difference would be between the position of India and that of any country—for instance Russia or the United States—in having to remit, if on a gold basis?—They would both remit gold. Once India is on a gold basis and has the gold, she could remit her own gold; she would be able to do that, once she had a margin of gold in circulation.

3242. What would be the effect of that in India?—It would affect the currency for the time.

3243. Would it affect prices?—It would.

3244. Would that tend to redress the balance of trade, or the reverse?—It would tend to increase the balance of trade—the exports.

3245. If in the long run India was not able to send exports to redress its position to make up its accounts, that gold would not be recovered?—It would remain out of the country.

3246. Do you view the plan as resting on the solvency of the country?—Certainly.

3247. What evidence as to solvency do the Government accounts afford?—I should take the surpluses and deficits for a series of years. In the last 20 years there has been nearly an equilibrium. In the five years, 1878–79 to 1882–83, the net surplus was Rx. 1,545,099; from 1883–84 to 1887–88 the net deficit was Rx. 3,158,870; from 1888–89 to 1892–93 the net surplus was Rx. 5,971,345; and from 1893–94 the net deficit caused by the two famine years was Rx. 6,308,012. The net deficit in the 20 years was thus Rx. 1,950,438, or about two crores. On that point I may refer to the statement made by Sir James Westland in presenting his last financial statement, his review of twenty years' finance.

3248. Would you view one test as being the amount of sterling borrowing?—The sterling and rupee borrowing together, both of them; and also against that you would set the amount of capital

expenditure on railways and irrigation works that are expected to pay enough to cover the interest charges. The total amount of sterling debt is about 115,000,000*l.* and of rupee debt about Rx. 111,000,000. Against those amounts you have to set the capital expenditure on railways and irrigation works not charged to revenue, amounting to about Rx. 143,000,000, in addition to the similar expenditure charged to revenue.

3249. The charge for interest is divided into interest on Public Works Debt and interest on ordinary debt?—Yes, ordinary interest and public works interest.

3250. Do you consider that the portion of the debt which is classified as Public Works Debt represents productive expenditure?—Yes, the capital expenditure in railways and irrigation is productive.

3251. And what proportion is the interest on Public Works Debt to the remainder?—The interest on productive works is greater than the other.

3252. Do you view the solvency of India as the material fact on which to base a gold currency?—Very material.

3253. And its power of payment by a regular course of remittance?—Yes.

3254. And would you consider that India is so far in the same category as other nations on a gold basis, who have to make payments bearing the same proportion to their means of payment as India's obligations to her resources?—Yes. Of course, the possibility of going to a gold standard, or silver standard, or any other standard of metallic payment, depends on solvency.

3255. (*Chairman.*) What is the rate of rupee borrowing in India?—Three and a half per cent.

3256. What is the rate of borrowing in sterling in London?—Three per cent. or 2½, or even lower.

3257. (*Mr. LeMarchant.*) Looking at the position both of the Government and of the country as a whole, do you regard the material fact as being whether there is a sufficiency of exports to meet their requirements abroad—a sufficient balance?—It is a very material point. It is the material point.

3258. And do you think this proposed plan or any effective gold standard would affect that injuriously?—It would not. I think that the prosperity of a country could not really be affected by the standard it adopts, provided the two standards in question are both of them sound.

3259. You do not think it would introduce some new condition involving a risk to the power of remittance to this country?—I do not think it would.

3260. (*Sir John Muir.*) I suppose, generally speaking, you may say that for the prosperity of a country you want to increase your exports as much as possible?—No. I should not assent to that general proposition. It would amount to saying it is advantageous to give away exports for nothing.

3261. Is not it by increasing your exports and diminishing your imports?—I should think not. Increasing your exports and diminishing your imports by itself merely amounts to giving away property for nothing.

3262. Suppose that India had not the heavy debt she has, but was quite free, would the question of future prosperity depend upon whether her power of exporting exceeded what she was bound to import; that is to say, would it not be an advantage to India to have five or six millions a year paid into her instead of she having to pay five or six millions out on the balance of trade?—I do not think so. I think in the case you put the exports and imports would balance one another. They would be equal; the gold would be an import, and it might not be to her advantage to receive gold instead of commodities.

3263. Do you think it an advantage to a country to import more than she exports?—I think they are both equally important.

3264. Surely one is more important than the other. Do you think it would be an advantage to India, she being a free country, with no debt, that she should

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import more than she can export?—I do not think it an advantage that the imports should exceed exports, or that the exports should exceed the imports. It is a condition of the remittances that have to be made by India that the exports must exceed the imports.

3265. I must suppose to begin with that India has no external debt; that she is free. That being so, is it not the duty of every one interested in India's prosperity, to increase her exports and her internal trade so as to decrease what she must import from England?—No. If she can get useful things from England, why should she not?

3266. But if she took in imports more than she takes up in exports then she would have a balance. You think that would be an advantage?—I do not think it is an advantage in itself, that the imports should exceed exports, or that the exports should exceed imports. There are instances of countries being prosperous both with an excess of exports over imports, and with an excess of imports over exports. The United Kingdom is an instance of a very prosperous country of the latter class, and the United States of the former class.

3267. (*Lord Balfour of Burleigh.*) Will you take the despatch in your hand, and look at paragraph 21, beginning: "When we have reached the stage in question". The stage in question is that described in the preceding paragraph?—Yes, when the exchange had attained a level of 16*d*.

3268. The Government of India say: "When we have reached the stage in question, the sovereign will be a recognised coin of the Empire, in use in its chief cities at least, and as long as this condition can be maintained the exchange will be stable at about 16*d*. We always have it in our power to carry the operation even further, by withdrawing a still larger quantity of silver, and replacing it by

"gold coin; and we recognise that circumstances may arise in which such a measure may be forced upon us." What are the circumstances to which the Government allude?—Possible circumstances in the distant future.

3269. But what are the circumstances?—I do not think they are alluding to any particular circumstances—only possibilities. On reading the paragraphs again, I think the reference is to the possibility of the anticipations in para. 20 not being fulfilled, and it being found that borrowing and melting to the extent mentioned in that paragraph are insufficient to maintain the rupee at 16*d*.; in that case, further borrowing and melting would be forced on the Government.

3270. I understood you in one of your answers to Mr. Campbell, to say that it was not the intention of the Government of India to pledge themselves to give a sovereign for any 15 rupees that any man in the street might bring to them?—No; not to bind themselves.

3271. If they could not do that, it cannot be said that, so far as the internal position of India is concerned, 15 rupees are the par of a sovereign?—It would be if, as a matter of fact, everyone was willing to give 15 rupees for a sovereign, and a sovereign for Rs. 15.

3272. But what you say is, it would not be possible to change 15 rupees into a sovereign at the will of the holder?—It would not be possible to claim it by law.

3273. In other words, they will not be able to get it?—We hope they will. Once exchange is established at 15 rupees to the sovereign, there will be no reason for a man keeping 15 rupees rather than a sovereign, or a sovereign rather than Rs. 15, other than considerations of his convenience for the time being.

3274. If that anticipation is not realised, it is equivalent to the breakdown of your scheme?—Certainly.

Adjourned.

SEVENTH DAY.

Monday, June 20th, 1898.

PRESENT:

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.

MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. A. M.
Lindsay.

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MR. ALEXANDER MARTIN LINDSAY called and examined.

3275. (*Chairman.*) You are a Fellow of the Bankers' Institute of London?—I am.

3276. How many years have you resided in India?—32 years.

3277. In what capacity?—For the first two or three years I was employed in a mercantile firm; for the last 29 years I have been in the service of the Bank of Bengal.

3278. What position do you hold in the Bank of Bengal?—Deputy Secretary and Treasurer.

3279. At the commencement of your evidence I suppose we are to understand that you do not speak on behalf of the Bank of Bengal, and that you come here in your private capacity?—In my private capacity.

3280. In no way binding your directors?—In no way binding my directors.

3281. And I suppose in your Bank, as in many other mercantile institutions in India, there is a considerable

difference of opinion upon these questions?—Naturally so.

3282. Now, you have, during the last few years, given a good deal of attention to the currency and the coinage of India?—I have.

3283. I will commence by asking you about the closing of the mints. The mints were closed in June 1893. Can you give us any information as to what was the state of affairs, so far as the currency and the exchanges were concerned, prior to the closing of the mints?—For nearly ten months prior to the closing of the mints exchange varied little from a rate of 1*s*. 2½*d*. With regard to the currency there was no great surplus or deficiency of currency in the money or exchange markets during the second quarter of 1893. The Bank of Bengal rate of interest for the first half of 1893 was 5·685 per cent., against 3·502 per cent. in 1891. It rose in 1893.

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3284. What had it been, say, on an average, five or six years before the closing of the mints? Will you go back, say, to 1888?—The average rate of the Bank of Bengal for the whole of the year 1888 was 5·460; in 1889, 6·991; in 1890, 5·790; in 1891, 3·062; in 1892, 3·499.

3285. Then, in 1893, the rate rose for the first half of the year?—It rose for the first half to 5·685.

3286. What was it in the second half?—4·076.

3287. Then it fell after the mints were closed?—The rate of interest always falls in the second half of the year.

3288. Do you consider that, at the date of the closing of the mints in June 1893, there was more currency than the trade at that time required?—There was no large accumulation. The combined balances of the Banks of Bengal and Bombay were 490 lakhs at the end of June 1893, as against 550 lakhs in 1892, and 900 lakhs in 1891.

3289. Then you think there was no redundancy of the currency and that, as between 1893 and 1891, there was a considerable drop?—There was a considerable drop. The great surpluses of 1891 and 1892 had been worked off.

3290. Was the bank rate raised in 1893 in consequence of the drain on the bank, the fall in its reserve?—The rise in the bank rate shows that the demand for accommodation was greater in 1893 than in 1891 and 1892.

3291. Would that be affected by the exchange?—The drain on the bank for money was probably affected by the exchange. There would be other causes at work.

3292. Then, apart from every other question, first, dealing with the state of the currency in 1893, you think there was neither redundancy nor contraction?—Just so.

3293. That was an average state of affairs?—There was an average state of affairs. I should say there was a heavy redundancy in 1891 and 1892 which had been gradually worked off.

3294. Can you give us, since the closing of the mints, the rates of discount of the Bank of Bengal? What was it in 1894?—Shall I give you the whole year?

3295. Yes?—The average rate was, in 1894, 5·394; in 1895, 4·329; in 1896, 5·691; in 1897, 7·925.

3296. That is on the average of the year?—On the average of the year.

3297. To what do you attribute the rise in the rates in 1896 and 1897?—The great cause, in my opinion, was the curtailment of Council bills caused by famine and war, coupled, towards the end of 1896 and in 1897, with a heavy commercial demand for money to move highly-priced food grains, and prolonged, latterly, by a large export demand for wheat and seeds; that is in 1898. The Government loans of 1896 and 1897, and the extension of joint stock enterprise in 1895–96, also withdrew much capital from the money market.

3298. In the reasons you are giving us now for the rise in discount, partly in 1895 and then in 1896–97, you have not given the closing of the mints as any effective cause. Perhaps I may put it in another way. Supposing the mints had remained open during those years, do you think that the famine and the war, and the development of joint stock enterprise, and the necessary large exports of high-priced wheat and seeds, would have produced that same stringency in the money market if the mints had been opened?—If the mints had been open and there had been a prospect of a rise in the price of silver there would have been more money in the money market. If there had been a prospect of a fall in the price of silver there would have been the same tightness as has been experienced, in my opinion. As a proof of that I may say that, in the year 1877, the average bank rate for the first half of the year was 9·492, and for the first half of 1897 it was 9·854.

3299. Can you remember what the exchange was at that time?—In the beginning of 1877 the exchange

was 1s. 10d. and it fell during the first half of the year to 1l. 8½d.; it fluctuated, and ended, I should say, at 1s. 9½d.

3300. It was a high rate of exchange?—Yes, higher than in 1876. The banks expected exchange to fall, and hoped to get money on cheaper terms by postponing purchases of council bills and silver.

3301. And they did not?—Yes, they did, because exchange fell; and for a similar reason money might not have been more plentiful this last year had the mints been open, because if the exchange banks had expected a fall in the price of silver, they would have borrowed in India as much as they could, in anticipation of a fall in exchange.

3302. Contrasting 1877 and 1897, do you find the same famine and trade causes at work, in proportion to a high rate of discount, in both years?—In both years. I will again compare the rates. The rate for the first half of 1877 was 9·492, and for the first half of 1897 the rate was 9·884. In the second half of 1877 the rate was 7·304, and in the second half of 1897 it was only 5·967.

3303. Are there any other facts, except those which you have given us, by which the sufficiency or deficiency of the currency can be tested?—The sufficiency or deficiency of the currency can, in my opinion, only be properly tested by convertibility into gold.

3304. You mean convertibility of the silver currency?—Convertibility of the silver currency into gold.

3305. Will you give us the reasons for that opinion?—Of course, the great test of the sufficiency or deficiency of the currency is the rate of exchange, which shows the relative value of the local currency to the international currency. A currency that is not interchangeable with the currencies of the great commercial and financial countries is inelastic, it cannot expand and contract freely. Inconvertible currencies expand enormously at times because they have no outlet, and they expand often without any appreciable effect on exchange.

3306. What you are pointing to, I suppose, is the fixed rate of convertibility?—The fixed rate. If a currency is convertible without loss into the great international currencies, then any local demand will be met, immediately, by a supply of currency from the great sources, and a surplus of local currency will be transferred through the medium of convertibility to the international currencies; but, if you have a local standard, or no standard, it is most difficult to test whether the quantity of currency is deficient or sufficient.

3307. A fixed rate of exchange accompanied by convertibility frees the transmission—the flow and the reflow of capital—from all restrictions whatever?—Yes.

3308. It follows its natural course of supply and demand?—Yes. As a rule, a fall in exchange indicates redundancy of currency in the exchange markets. Prices also give some index as to sufficiency or deficiency. But I think no proper test of a deficiency or sufficiency of the currency of a country can be given unless the local currency is convertible into the currency of great commercial countries.

3309. Do you consider that the subsequent course of events since June, 1893, has reduced the currency below the requirements of trade at the present time, either in the busy season or in the slack season?—There was extreme scarcity of money-market money during the busy season of 1897 in India, and, again, during the busy season of this year.

3310. But was there a deficiency in the slack season of last year?—There was no deficiency in the slack season. There is always a great difference between the commercial demand for currency in India during the busy season, and during the slack season, because the moment the rainy season commences there is a great stoppage of trade, and money comes rushing into the Presidency banks; on the other hand, during the busy season, when there is a heavy commercial

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demand on the banks, the Government balances run up very greatly.

3311. Is that owing to the collection of the revenue?—It is owing to the collection of the revenue. The revenue is largely collected just at the time when money is most in demand for commercial purposes, and *vice versa*. It would be desirable, I think, that these collections should be utilized to meet trade requirements during the busy season, but there is great difficulty in making any change—at present, at all events. But I wish to point out that there is always a great difference between the supply of money during the busy and the slack seasons. Commencing at the end of November 1896, when the pressure for money was first felt, the total Treasury balances were exceptionally low, $7\frac{1}{2}$ crores of rupees only, while the cash balances of the three Presidency banks, after deducting their Government deposits, were $3\frac{1}{2}$ crores only. Then, as the busy season progressed, we find that in January 1897 the Government balance had jumped up to 12 crores, and in March it went as high as nearly 14 crores.

3312. But that was the busy season?—That was the busy season, when there was great pressure for money, and the bulk of that money was locked up in the Government Treasuries, and was not available for commercial purposes. Then, take the month of June 1897. The Government balance had dropped down to 11 crores, and the bank balances (I am excluding the Treasury money) were exceedingly low in March, about 1 crore.

3313. You did not give us January?—In January the bank balances of commercial money—taking the end of January—were about $2\frac{1}{2}$ crores. In May the bank balances were very low, indeed; about the end of May they were under 1 crore.

3314. Is that all the banks?—The three Presidency banks.

3315. (Mr. Le Marchant.) Are those the Government balances at the banks?—No.

3316. It is excluding Government balances?—Yes.

3317. But what are the bank balances?—I am giving the bank balances after deducting the Government deposits at the banks. Then, about the middle of June, the balances of the three Presidency banks, independent of Government money, stood about a little over 1 crore.

3318. (Chairman.) Now, will you go to the slack season?—The commercial balances in July 1897 jumped up to about 4 crores, 70 lakhs.

3319. That is exclusive of the Government Treasury balances?—Exclusive of the Treasury balances; it shows a rapid jump up in June and July. The Treasury balances in July went on increasing. About the middle of July the Treasury balance was about 9 crores. In September the Treasury balances were very low, down to $7\frac{1}{2}$ crores. The bank balances at that date were about 4 crores, 25 lakhs.

3320. (Chairman.) Then, will you go to December?—At the beginning of December the Treasury balance began to rise. Towards the end of December it was about 10 crores. The bank balance fell to $1\frac{1}{2}$ crores. Then, in March, when there was extreme pressure in the money market, the bank balance was down to almost nothing, apart from Government money. The Treasury balance amounted to 16 crores. That is in the March of the present year. Since March the bank balances have been rising, and the Treasury balances falling. I give these figures to show the great discrepancy in India between the supply of money for mercantile purposes in the busy and slack seasons.

3321. Do you form any conclusion from all those figures that you have given us, either with reference to exchange or with reference to the closing of the mints, and its effect on the bank reserves in the country?—As far as their effect on exchange goes, they naturally create a pressure on the market for money during the busy season, and great ease during the slack season; and exchange will naturally rise

during the busy season and fall during the slack season. Bank resources would be increased during the busy season, were the surplus funds in the Government Treasuries placed at disposal of the Presidency banks at that time.

3322. I want to get from you your opinion as to whether, either from the growth of trade or from hoarding, or from the export of coins, or from the expenditure upon war and famine, or from any other cause, there is, at this moment, a deficiency of currency in India?—There is unquestionably, in my opinion, a deficiency of currency in India—at all events, in the money market.

3323. Then you differ from the opinion of the Government of India that there is a redundancy of currency?—Yes. There is no redundancy when large sums are locked up by Government during the busy season. In my opinion, there will be no redundancy whatever under convertibility.

3324. That is talking of what might be; we will come to that afterwards. The Government of India, as you know, have based their proposals to some extent on the fact that there is a redundancy of currency in India at the present time, which they propose, in a manner about which we will talk presently, to remove. First of all, do you, or do you not, think that there is any redundancy of currency?—There was every appearance of grave deficiency of currency during the last season. What it would be during a slack season, under the circumstances that I have just mentioned, it is impossible to say—at least, it is difficult to say.

3325. The real practical test would be, whether there was deficiency in the busy time?—A deficiency in the busy time, of course, is very much more serious than a deficiency in the slack time.

3326. But that is the test?—That is the test.

3327. When everybody has apparently gone to sleep, it does not much matter; but when trade is really active, that is the time when the facts could be ascertained and the results noted?—I should like to give a few facts to indicate the extreme deficiency of money during the past season. There was every indication of most extreme pressure for accommodation culminating in a large destruction of credit in native banking circles.

3328. Which year do you mean now?—This last busy season, 1898. The bank rate ruled higher than it has been since the monetary crisis of 1866. Government $3\frac{1}{2}$ per cent. paper which stood at 110 rupees in the middle of 1896, and Rs. 103·8 (that is $103\frac{1}{2}$) in the middle of 1897, fell to 93½ in the early part of 1898. I may also mention that there was extreme scarcity of currency in the North Western Provinces and the Punjab during this busy season. First-class firms were paying at the rate of $\frac{3}{4}$ ths. per cent. on discounting demand bills on Calcutta and Bombay.

3329. (Mr. Hambro.) What is the natural discount?—As a rule, accommodation of that description never rises above, at the very most, $\frac{3}{4}$ ths. per cent.

3330. (Chairman.) And this was $\frac{3}{4}$ ths. per cent.?—Yes.

3331. Those are facts which you consider indicate pressure?—Extreme pressure for money.

3332. Now do you consider that a fall in exchange would tend to increase the volume of exports, and of trade generally?—Other things being equal, a fall in exchange should stimulate the export trade temporarily, and curtail the import trade.

3333. And *vice versa*?—Yes.

3334. How long do you think that the temporary period should last?—As a rule, it cannot last very long. Of course it does take some time. There are questions of wages, and so on. The profit is made at the expense of others; but still there is profit made.

3335. Are you aware whether there has been any use by the public of the Government's notifications in 1893 and 1898 to obtain currency?—It has been availed of to a small extent; but there was possibly an exceptional cause at work in each instance.

3336. Do you think, at the present time, there is a want of confidence in the future value of the rupee?—Yes.

3337. Do you think it of primary importance to the trade of India that that want of confidence should, if possible, be removed?—Certainly.

3338. What is that want of confidence based upon mainly?—Some people say it is based on the prospect of a re-opening of the mints, but, of course, I cannot believe that, looking to the positive declarations that have been made all along by the supreme authorities that the mints will not be re-opened. In my opinion it must be based upon some defect in the currency system.

3339. Is there a fear in India—I will not say a fear, but an impression—that the Government may not adhere to the policy of 1893, and may re-open the mints?—I do not think so. Of course there are some who hope so, but I do not think there is any general impression that the mints will be re-opened.

3340. Are you, yourself, in favour of re-opening the mints?—No.

3341. Will you tell the Committee what you think the effect of re-opening the mints—even gradually, say over a period of 12 months—would be on the trade of India?—It would cause great fluctuations either in rupee prices or sterling prices of commodities interchangeable between India and gold or silver or paper standard countries, or more probably both sets of prices would fluctuate. It would drive capital out of India, and we have been told by all parties directly concerned, that it would be very difficult for India to pay her way.

3342. Do you mean pay her gold debt?—Very difficult to pay her gold debt. Were India an independent country, a fall in exchange to 11d. or less would probably lead to a default in payment of interest on her sterling debt.

3343. Have you anything else to say upon that?—I do not think I have.

3344. I take it your opinion would be altogether adverse to the re-opening of the mints?—Yes.

3345. Now may I ask you whether you are in favour of establishing an effective gold standard in India?—I am.

3346. Perhaps you will go back now to your first proposals that were made in 1876 and 1878?—Yes.

3347. They were repeated in July 1885?—Yes.

3348. And again in 1892?—Yes.

3349. When you published a pamphlet entitled “Ricardo’s Exchange Remedy”?—Yes.

3350. Will you state to the Committee, in your own language, what you proposed? Perhaps you will first give us Ricardo’s Exchange Remedy upon which you base your theory?—In 1819 the British currency was based on inconvertible notes of the Bank of England. Mr. Ricardo suggested that convertibility into gold to the extent necessary to give stability to the foreign exchanges might be secured, and all legitimate requirements met, by the simple and economical expedient of arranging that the Bank of England should sell its paper money at a fixed gold price, and buy back the notes, when desired, at $1\frac{1}{2}$ per cent. below that price, the gold employed to be in the shape of gold bars, or any other form that would prevent its being used as a medium of local payment. That was the great point of the scheme. He said a currency is in its most perfect state when it consists of cheap material, but of cheap material of an equal value with the gold which it professes to represent, and he added that a currency of this description might be equally well issued by a government as by a bank. It is said, by way of objection to my scheme, that these arrangements applied to a bank currency, but Ricardo specially mentioned that a currency of this description might be equally well issued by a government as by a bank. This proposition of Mr. Ricardo was recommended by the Committees of the Houses of Lords and Commons appointed in 1819 to consider the expediency of the Bank of England resuming gold payments.

3351. Who was the Chairman of that Committee? You say it was a Joint Committee?—There were two Committees; one of the House of Commons, and one of the House of Lords.

3352. Then both Committees came to the same recommendation?—Both.

3353. They recommended the resumption of cash payments?—They recommended the resumption of cash payments eventually; but for the first few years the notes were to be convertible, not into gold coins—they were to be convertible into gold bars.

3354. What was the fate of that proposal?—The fate of that proposal was that it was successful. It was established simply as a temporary measure to enable the Bank to place its notes on the convertible footing as early as possible—in fact, at once.

3355. Sir Robert Peel was the Chairman of the House of Commons Committee?—Yes.

3356. That was in 1819?—Yes.

3357. How long was that plan in operation?—It was a temporary measure, and expired, by arrangement, in 1823.

3358. Then your first point would be, that what we may call Mr. Ricardo’s theory was practically adopted by both Houses of Parliament—adopted by the Committee of which Sir Robert Peel was the Chairman, and embodied in legislation, and paved the way for the complete resumption of cash payments?—Yes.

3359. Now, suppose we go a little farther back, You have other precedents, both from Scotland and Ireland?—May I explain it in this way? When formulating this scheme, years ago, I based it on the legislation of 1819, but, simply for the sake of convenience and economy, I substituted sterling drafts on London for the gold bars of the Ricardo plan. It was with pleasure that I discovered, last year, that the sterling draft system had been in operation in Scotland for 40 years, and had been recommended for adoption in Ireland by a strong Parliamentary Committee in 1804.

3360. Now, we will proceed historically. Will you explain to the Committee what was the Scotch system that was adopted in 1763, after the Peace of Versailles?—After the Peace of Versailles in 1763, a great scarcity of gold was experienced in Scotland, and speculators took to “bearing” exchange very much after the fashion adopted at present by bullion speculators in Bombay. Exchange with London fluctuated 5 or 6 per cent., and, in order to fix exchange and frustrate the attempts of speculators, the Scotch banks established a gold fund in the Bank of England; and, by offering drafts on London at $\frac{1}{2}$ to 1 per cent. over the speculators’ rate, they gradually brought the exchange to par, and with the aid of this conversion fund they maintained exchange at this level up to 1804, and until gold coins were again used.

3361. Can you give us any idea as to the extent of the operations that were covered during that time. I mean the extent, say, of the gold fund in the Bank of England. Have you any idea of what the proportion would be between England and Scotland?—My information is taken solely from the Committee reports of 1804 and 1810.

3362. Is that information given there?—So far as I know, it was not given. Of course the Scotch banks must have arranged with the Bank of England to obtain, when necessary, temporary advances; without that no conversion scheme could stand.

3363. I wanted to see whether the Scotch banks had a sufficient gold fund in London to cover their drafts, or whether they also had arrangements with the Bank of England in addition to that gold fund, so that they could get accommodation from the bank?—Details of that description I have not got here.

3364. But I suppose it is probable that that would be so?—Yes.

3365. Would that arrangement be effectual and economical?—It is obvious that it would be so.

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3366. Why?—The exchange could not fall as long as remitters could get drafts on London at par in exchange for local currency, and the expense of convertibility was minimised as much as possible because the only notes converted were those which would, if unconverted, have been used in buying bills below par. Had the Scotch banks offered to convert their notes into gold coins, the coins might have been used in the local circulation instead of the notes, or they might have been hoarded, and in this way more notes would have been tendered for conversion and more gold would have been required than was really necessary for fixing exchange; but by making the local currency convertible into drafts on London, that could not be used in the local circulation, a maximum amount of paper money was kept afloat at a par with gold. Under this simple system the paper currency of Scotland worked as regularly and as automatically as any gold currency. There was no arbitrary contraction of the currency, no dread of a fall in exchange such as the present Indian system engenders with the result that capital is repelled and expelled from the country, causing severe stringency every now and then in the Indian money markets.

3367. That system lasted you say till 1804?—My information is based on the report of 1804, and it was in operation then evidently from the report.

3368. Now, was there any Irish parallel or any recommendation as to Ireland in 1804?—In 1804 this system was recommended for adoption in Ireland. Towards the end of the 18th century there was a scarcity of gold coin in Great Britain and Ireland, owing to the drain of gold required to carry on the great conflict with France, and so scarce did gold coin become that an Act had to be passed, called the Restriction Act, forbidding the Banks of England and Ireland to give gold in exchange for their notes.

3369. That practically was a suspension by the banks?—Yes.

3370. That extended both to Ireland and Great Britain?—Yes.

3371. What was the special recommendation of the Committee of 1804 with reference to the transactions of the Bank of Ireland?—The difficulty was that there was a fluctuating exchange between the Bank of England and the Bank of Ireland. As long as both these banks gave gold for their notes, the two currencies were linked together by the tie of convertibility, and there was fixity in exchange between Great Britain and Ireland, just as in bimetallic time the rupee currency and sterling money were interchangeable and linked together by the Latin Union system.

3372. In India?—The Latin Union system linked silver and gold money all over the world, including India. The Irish exchange, under the Restriction Act, like the Indian exchange after the breakdown of bimetallicism, became unsteady, and fluctuated to such an extent that a strong Parliamentary Committee, consisting of Pitt, Fox, Foster, Canning, and others—

3373. That Committee sat in 1804?—In 1804. They were appointed to report on the position, and devise a remedy.

3374. Then, how did they report?—The report was made under the following heads:—First, as to the fact of an unfavorable exchange existing, and to what extent; and secondly, as to the causes which created it.

3375. Both those are local, and confined to those times. What was the third point?—As to the remedies which can be resorted to for either removing or alleviating the inconveniences arising from it.

3376. Can you just give us an extract from the Committee's report?—As to the remedies, the report says: "Such remedies, therefore, as may answer to 'give redress, are next to be considered, and the 'great object of those of those which have been 'suggested, is the procuring a common circulating 'medium in the two countries. With this view, a 'consolidation of the two banks of England and 'Ireland has been proposed and supported with very 'plausible arguments by Mr. Borrower; but its 'expediency seems rather problematic; and when

"the rapid advances which the manufactures, trade, "and agriculture of Ireland have made since the "establishment of the bank, and the great assistance "which they have received from it, under the wise "and liberal conduct of its directors, are considered, "your Committee cannot recommend putting those "benefits to a hazard, even if the redress of a high "exchange could be ensured thereby. But, putting "the hazard out of the question, the measure seems "impracticable without the consent of both banks, "which the evidence shows is very unlikely to be "procured. Other modes of obtaining a common "medium, such as that of inducing, or even com- "pelling, the Bank of Ireland to give Bank of "England notes in exchange for their own, on "demand, or to make their own exchangeable for "them in London, or to give bills of exchange on "London for them, have been suggested; and there "is no doubt any of them would have the effect of "rectifying the exchange. The objection that has "been made to this proposal is the difficulty and "expense to the Bank of Ireland which would attend "the procuring a fund in London on which to draw. "On this your Committee observe, generally, that "neither the difficulty nor the expense attendant on "this measure would be so great as that to which "the bank, by its constitution, is necessarily subject "at all times when not protected by a restriction from "performing its engagements; and whatever funds "the bank formerly applied, or intend again to apply, "on the removal of the restriction, to provide for the "difficulty and expense of obtaining a supply of "gold, might, in the interim, be applied to the "procuring of English bank notes. The evidence of "Mr. Winthrop points out the practicability of "obtaining a sufficient supply of Bank of England "notes with such a fund; his expression is that "The Bank of England, or any person, may procure "bank notes now to any extent, if they will pay for "them.' But Mr. Mansfield's evidence so clearly "shows the practical mode of carrying this measure "into effect, that your Committee cannot impress it "too strongly upon the attention of the House; it "shows, in the example of Scotland, how effectually "a very small sum, vigorously and wisely applied, "did operate, and that banks there did establish "an adequate fund with ultimate advantage to "themselves."

3377. Mr. Mansfield, I see, was a banker in Edinburgh, of the firm of Mansfield, Ramsay & Co. Now, what became of the report of the Committee?—The recommendation was not carried into effect. As far as I can make out, the reason was this, that shortly after 1804 the Bank of England notes themselves began to depreciate, and the desire to fix the exchange between the two countries no longer existed.

3378. That report, practically, was not embodied in legislation?—That report was not embodied in legislation.

3379. Now, we will come down to your own proposals in 1876. Will you give us, shortly, what the theory of your original scheme was in 1876, and tell us how you have modified it now?—It was practically the same as my present scheme, with the exception that in 1876 I proposed that the rate should be maintained at the rate of the day then, or the rate for a few years previously to that, namely, 2s. and 1s. 11d., the difference being about 4 per cent. or what was in those days the cost of specie transmission.

3380. Let us get first what your proposal is; as a mere matter of detail, give us the basis of your proposal?—I consider it highly desirable in a country such as India, where custom is all important, that in establishing a gold currency no change should be made in the existing circulating media. The present silver and copper tokens are as acceptable and popular as could be desired. They are convertible into bank drafts on London at varying rates of exchange; and all I propose to do is to make them convertible for large sums into Government drafts on London at

1s. 3½d. This change will pass unnoticed, except by the intelligent few, and it is satisfactory to find that by this almost imperceptible process the Indian currency will be placed on a footing which Ricardo and other great authorities have advocated as the best of all currency systems, viz., one in which the currency media used in the internal circulation are confined to notes and cheap token coins, which are made to act precisely as if they were bits of gold by being made convertible into gold for foreign payment purposes.

3381. You mean convertible outside India?—Convertible outside India.

3382. I want the Committee thoroughly to understand from you, in your own words, what the scheme is. Just tell us what the scheme is from the beginning of the transaction to the end. We understand that you do not propose to interfere with the silver currency in India. You leave that alone?—I propose that 10 millions sterling should be raised in London by a long-term loan (say 15 years' currency), and should be deposited in the India Office or the Bank of England. The fund might be styled the Gold Standard Reserve, and the office dealing with it might be called the London Gold Standard Office. It should be announced that the London Gold Standard Office will be prepared to sell to all applicants rupee drafts for sums of Rs. 15,000 and upwards in exchange for sterling money at the rate of 1s. 4½d. per rupee.

3383. Then your first limit is, that it should be confined to operations outside India, and your next limit is, that it should be confined to operations of at least Rs. 15,000?—Yes. I propose, on the one side, a limit of 1s. 4½d., and, on the other side, a limit of 1s. 3½d., and that the limit of amount should be, in the case of rupees, 15,000, and in the case of sterling, 1,000l. The rupee drafts should be drawn on two offices, to be opened either in the Indian mints, or in the Calcutta and Bombay Presidency Paper Currency Offices.

3384. This is to be entirely a Government operation?—Entirely a Government operation.

3385. This operation of the Government of India is to be of a two-fold character: First, to establish a gold standard fund in London by providing 10 millions sterling in gold, and secondly, the manipulation of that fund for the purpose of the exchange is to be carried on by another department of the Indian Government, which is to be localised in Bombay or Calcutta, or both?—I propose three offices, one in London, one in Calcutta, and one in Bombay. The duties will be purely mechanical.

3386. I want to see, first, what the machinery is. This is your machinery?—Yes. The rupee drafts should be drawn on two offices to be opened either in the Indian Mints, or in the Calcutta and Bombay Presidency Paper Currency Offices. These offices might be styled the Indian Gold Standard Offices. These drafts should be made payable on demand if there are rupees available in the Indian Gold Standard Office.

3387. You mean the drafts from London?—The drafts from London.

3388. That would be equivalent to the Secretary of State's Bills under the present system?—The London Gold Standard Office would meet all applications at the rate of 1s. 4½d.

3389. But the operation would be the same. They would pass into the silver currency at sight?—But, the Council bills are cashed out of the Government balances. These drafts must not be so cashed. If there has been a redundancy of currency in India and applications for sterling drafts, there will be rupees in the Indian Gold Standard Office to meet the drafts. Should there be no such fund of rupees in the Indian Gold Standard Office, then silver bullion must be purchased; or if, as would be very desirable, the provisions of the Gold Note Act of 1898 could be incorporated in the scheme, that will enable notes or the rupees in the Paper Currency Office to be used to meet these drafts. Gold will be held here or silver bullion will

be purchased and despatched to India for coinage as security for the notes issued.

3390. But, at the present time, there has never been any difficulty in cashing the Secretary of State's bills. Why should there be more difficulty in cashing these drafts than in cashing the Secretary of State's bills?—Government money must not be used to meet the Gold Standard drafts. These drafts should be made payable on demand if there are rupees available in the Indian Gold Standard Office. If not, they should either be paid on demand at the Paper Currency Department, or the drafts should be drawn at a currency affording time for coinage in India of silver bullion purchased in London with the sterling money. That is to say, if there is a demand for rupees, and there are no rupees in the Indian Gold Standard Office, the Government will sell rupee drafts, and with the sterling money they get they will purchase bullion and ship it out to India, and arrange so that this bullion will be coined to replace the rupees of the Paper Currency Department with which they have paid the drafts.

3391. Practically, the operation will be just the same as it would be if the notifications of 1893 and 1898 were carried out; that is, there is a payment of gold in London, and, as against that payment of gold in London, the owner of the draft would receive currency at the rate you mention in Calcutta?—Precisely.

3392. And that would be an arrangement which the Indian mints could undertake; it would depend on the state of the bullion market?—The mints can supply the rupees with profit when silver bullion costs 41½d. per ounce. The lower the price of silver the greater the profit.

3393. (Sir F. Mowatt.) What would be the usance of the draft sufficient to give time for the coinage in India of silver bullion purchased in that way with sterling money in London?—One month's date would give time for the bullion to arrive in India. The rupees taken from the Paper Currency Department balance might be replaced by the bullion sent out by the London Office. To revert to the proposed machinery, it should be announced that the Indian Gold Standard Offices will be prepared to sell to all applicants sterling drafts on the London Standard Office, payable on demand, in sums of 1,000l. and upwards.

3394. (Chairman.) This is the reverse operation?—This is the reverse operation.

3395. This is the transmission of rupees from India to be turned into gold in London. You have been giving us before the transaction of the issue of rupees in India for gold paid in London. Now, this is the reverse operation?—Yes. The Indian Gold Standard Office would sell sterling drafts on the London Standard Office, payable on demand, in sums of 1,000l. and upwards, in exchange for rupees, at the rate of 1s. 3½d. per rupee. All rupees received by the Indian Gold Standard Offices should be held in these offices to meet the rupee drafts drawn by the London Gold Standard Office. All gold received under Notifications No. 2262-4, of June 1893, should be made over to the Indian Gold Standard Offices, on their requisition, in exchange for rupees, at the rate of 1s. 4d., and should be sent by them to the London Gold Standard Office. That is, of course, an arrangement made under special circumstances, which will be afterwards explained. If the gold standard reserve should decrease at any time to "apprehension point," i.e., show a likelihood of becoming exhausted, it would indicate that the rupee currency was seriously redundant, or, in other words, that there were too many rupees in circulation; and some of the surplus rupees might be used to replenish the Gold Reserve in London.

3396. How would you do that?—Government should take the step contemplated by the Dutch Government in 1884, and melt a portion of the rupees held in the Indian Gold Standard Offices, despatching the bullion to London for sale there for sterling

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money, which should go to strengthen the London Gold Standard Reserve. The loss on the operation would not necessarily be permanent, as it could be recouped afterwards by buying silver and coining it. In case this part of the scheme may be misunderstood, let me say that the proposal to melt rupees under these circumstances is not made with the object of reducing the rupee currency, but with the object of replenishing the London Gold Reserve. That was the object of the Dutch Government.

3397. I suppose the Indian Government would say that that is the meaning of their proposals with reference to six crores. Yours is to remove redundancy, and theirs is to curtail redundancy?—I submit that redundancy under my scheme is not removed by the melting of rupees but by the withdrawal of rupees tendered for conversion.

3398. But you say that the fall of the gold standard to what you call apprehension point indicates a redundancy of rupee circulation?—Yes; and then to enable the withdrawal of rupees tendered for conversion to be continued melted rupees are sold. It is to enable the Government to replenish the London Gold Reserve that I propose that the rupees should be melted.

3399. Before you go further, you have given us these three figures, which I should like you to explain. I want to know why you fix upon 10 millions sterling, why you fix upon $1s. 4\frac{1}{6}d.$, and why you fix upon $1s. 3\frac{3}{4}d.$ First, why do you fix at 10 millions sterling the sum which you think necessary for the gold standard fund?—I presume it is not an arbitrary figure; you have some basis of calculation?—In estimating the utmost possible extent of a foreign drain one must look to the balances of the Presidency banks, which contain all the funds likely to be tendered for conversion into sterling money, remembering that these funds increase steadily when trade shows an adverse balance; and the problem is to fix upon an outside limit beyond which these banks could spare no further funds without raising their rates of interest to a height that will attract capital, depress prices, and create a demand for return of the currency exported. It is difficult to bring currency back unless there is confidence in the future of exchange; but, given conditions that will inspire confidence, I estimate that 5,000,000*l.*, assisted with a prohibitive duty on silver, or 10,000,000*l.* without such assistance would be sufficient, or, say, 10 to 20 crores of rupees, including proceeds of melted rupees, is more than India can spare at any period. If I might be permitted, I should like to read some authoritative opinions upon that rather important point.

3400. May I put it in this way, that you base your figure of 10 million pounds, 5 millions, or $7\frac{1}{2}$ millions—I quite see the reasons why you vary the figure—upon the average balances of the Presidency banks as indicating a limit below which they dare not go in depriving themselves of rupee currency?—Yes, a great deal in excess of the average, in fact, much in excess of the highest balance the Presidency banks have ever shown.

3401. May we take it that the general mass of the Indian people would not be remitting to London or wanting gold there? You consider that the remittances would come mainly from the banks, that the banks, if they wanted to convert into gold, could not spare more than a certain sum for gold conversion?—I would rather put it in this way, that the demand for remittance to London will come not only from the exchange banks but from the general body of the community; but still we know, as a matter of experience, that these remittances come through the medium of the banks, and we have every reason to believe that 10 millions sterling, which I shall afterwards show to be sufficient to reduce the rupee currency by 20 crores, is more than ample under any circumstances.

3402. You are not at all influenced in fixing that figure by the amount that would have to be remitted

to meet, under the present system, the Secretary of State's bills?—I include everything.

3403. Now, will you read us your authorities?—Here are a few authoritative opinions and precedents in support of my view. Some people have looked at and criticised my scheme on the strength of the total exports from India. I say, you should not look to exports at all; you should look to the Presidency balances, making ample provision over and above anything that they show is likely to be required. First of all, Mr. James Wilson, the founder of our present paper currency system —

3404. Do you mean Mr. James Wilson who was the first Indian Finance Minister, or rather the first Finance Minister sent out?—Yes. He is a well-known authority. In his book on "Capital, Currency, and Banking," he says: "When a drain sets in, which merely means when it becomes profitable to export the commodity gold, such demand will act on the stocks of bullion and on the coin in the reserve at bankers, but not directly on the coin constituting the actual circulation, at least until all those reserves were actually exhausted and then a struggle would commence between those who required coin for circulation and those who required it for export. To this point a drain never yet has proceeded with a convertible currency, nor can we conceive any circumstances under which it is likely to do so." Then the second authority I will quote is John Stuart Mill. In his "Principles of Political Economy," Book 3, chapter 22, he says: "Gold wanted for exportation is almost invariably drawn from the reserves of banks, and is never likely to be taken from the outside circulation while the banks remain solvent." Then Mr. Goschen in addressing the London Chamber of Commerce in December 1891, on the metallic reserve says: "We only have as an effective circulation that which is required for the daily wants of the people. You cannot tap that to any extent so as to increase your central stock of gold. You may raise your rate of interest to six per cent. or eight per cent., but the bulk of the people will not carry less gold in their pockets than they did before, and I doubt whether, from other quarters, you would be able to get much addition to your central store." Then I will read this extract from Ricardo's "On the high price of bullion." "The exportation of specie may at all times be safely left to the discretion of individuals. It will not be exported more than any other commodity, unless its exportation should be advantageous to the country. If it be advantageous to export it, no laws can effectually prevent its exportation. . . . The exportation of coin is caused by its cheapness. . . . We should not import more goods than we export, unless we had a redundancy of currency." Then Professor Sumner, a well known American authority writes: "The balance of imports and exports never can move the exchange either above or below par, more than just enough to start a movement of bullion. On a specie system, any outflow of bullion would bring down prices, and immediately make a remittance of goods more profitable than of bullion, and if the exportation of bullion was artificially continued (as for instance to pay the expenses of a foreign war) it would reduce prices until a counter-current would set in, and restore the former relative distribution all the world over."

3405. Now, why do you fix, as you have done, the par of exchange between the sterling and the rupee at $1s. 4\frac{1}{6}d.$ on the one side and $1s. 3\frac{3}{4}d.$ on the other?— $1s. 4\frac{1}{6}d.$ I fixed for the sale of rupee drafts. The reason for that is the general expectation that $1s. 4d.$ will be the rate fixed; and, I believe, that many contracts have been entered into on that understanding.

3406. Outside that, have you any reason for fixing it?—The reason why I fix it at $1s. 4\frac{1}{6}d.$ is this, that under present arrangements gold can be tendered for exchange into rupees at the rate of $1s. 4d.$ in India,

I, myself, think it desirable that those gold transactions should be kept out of India as much as possible, so I make the rate at $1s. 4\frac{1}{2}d.$, which will suit the banks better, that is to say, the banks will prefer to buy drafts as a rule at $1s. 4\frac{1}{2}d.$ instead of sending out gold to be exchanged into rupees at the rate of $1s. 4d.$

3407. But suppose it was part of any scheme that that notification should be rescinded, and that there should no longer be power to compel the Government to give rupees at the $1s. 4d.$ rate, then have you any reason why you should prefer $1s. 4d.$ or $1s. 3d.$ or $1s. 3d.$ or $1s. 2d.$?—I consider it is the general expectation amongst the commercial community in India that $1s. 4d.$ is the rate that will be fixed, and I think that some capital has been, if not sent out, at all events retained there on that understanding.

3408. All that is based on expectation well founded or otherwise; but in the state of trade do you think there is any reason for preferring the one rate to another?—Seeing that for the last 10 months or so the rate of exchange has ruled at $1s. 4d.$ or very near $1s. 4d.$ especially seeing that of late we have had a very active export trade, I think that prices must have adjusted themselves fairly well to the rate of $1s. 4d.$

3409. But you are aware that a great many of the export trades in India complain of the very high rate of $1s. 4d.$ Let us take two of the trades especially concerned, the Indigo trade and the Tea trade?—I should certainly very much rather see convertibility at once introduced at the rate of $1s. 3d.$ than postpone convertibility for a day. It would require a smaller conversion fund; there would be less demand for conversion into gold, no doubt, at the rate of $1s. 3d.$ than at the rate of $1s. 4d.$

3410. So far as your scheme is concerned the par of exchange is an unimportant consideration. Your scheme works, supposing it is $1s. 2d.$, $1s. 4d.$, $1s. 6d.$, or $1s. 8d.$?—I should be very sorry to fix any rate of exchange that would disturb trade.

3411. Do you think that trade would be disturbed by a higher rate than $1s. 4d.$?—Certainly.

3412. Why?—Because it appears to me to have adjusted itself fairly well to $1s. 4d.$, if anything to a rate slightly lower than $1s. 4d.$, but certainly it has not adjusted itself to a rate higher than $1s. 4d.$

3413. Let us take the average of the last 6 years. That is nothing like $1s. 4d.$, is it?—But seeing that at present the export trade is very active at the rate of $1s. 4d.$, it appears to me that the export trade has now adjusted itself to that rate.

3414. But the $1s. 4d.$ rate has only prevailed for the last 12 months?—But an adjustment of that kind between prices and exchange is immediate.

3415. Immediate?—In this way. If sterling exchange rises or falls, there is necessarily an immediate adjustment of prices either rupee prices or sterling prices.

3416. But why do you take the adjustment which has gone in 1898 to $1s. 4d.$ and say that that should be the permanent standard; because, according to your argument, they were equally adjusted in 1895 and in 1891 and 1892, when there was a totally different rate?—A small adjustment in current prices will not disturb trade much.

3417. But the Secretary of State's bills is a very large adjustment, is it not?—I mean, a small adjustment, such as a small fluctuation in exchange will cause, I do not think will have any very lasting effect.

3418. You think then at present there has been an adjustment of prices in India to the $1s. 4d.$ rate both in the import and export trade?—I think so.

3419. Has it extended to wages?—I think myself that wages are not affected by a fluctuation, unless it is a very serious fluctuation.

3420. Is not a fluctuation from $1s. 2d.$ to $1s. 4d.$ something like 14 per cent?—But I do not think that trade has been on the basis of $1s. 2d.$ for some time past.

3421. Do you not think that to make the operation perfectly complete wages must be adjusted, because

I suppose the fact of a high or low rate would affect both the price of food and the price of clothing. Should it not also affect the price of labour?—But look at the enormous fluctuations we have had. We have had a fall from $2s.$ down to $1s. 1d.$ I do not think that a fluctuation of 14 per cent. would have very much effect on wages.

3422. You think that the internal value of the rupee has remained very much the same, totally irrespective of the fluctuations in its external exchange value?—The rupee with regard to prices in India has remained pretty much the same. A rate of $1s. 4d.$ would in my opinion not at all disturb the value of the rupee for wages and so on. For 10 months past the rate of exchange must have averaged $1s. 3\frac{1}{2}d.$ or thereabouts, and it was only for a short period below $1s. 3\frac{1}{2}d.$

3423. Of course under the present law it could not go above $1s. 4d.$?—It could not go above $1s. 4d.$ plus cost of transmitting gold.

3424. Do you think that the establishment of your scheme would lead to any alteration in the sale of the Secretary of State's bills?—I propose that they should be sold as at present.

3425. But if the balance of trade was against India, and if the Secretary of State found it impossible to sell the full amount of his Council bills, say, at the rate of $1s. 3\frac{1}{2}d.$, what would then have to be done to enable the Indian Government to meet its sterling liabilities?—The Secretary of State's bills must always be saleable at or about $1s. 3\frac{1}{2}d.$ as long as rupee currency is convertible into sterling money at the rate of $1s. 3\frac{1}{2}d.$

3426. That is, there could not be two rates—one in London, and one in Calcutta?—No. The competition between the exchange banks would prevent that, and, if necessary, outside competition.

3427. Then, taking trade and finance generally, what do you think would be the effect if your scheme was adopted?—Exchange would be fixed within convenient limits.

3428. Limits of what—do you mean limits of price?—Exchange would be between $1s. 4d.$ and $1s. 3\frac{1}{2}d.$

3429. You mean the range of variation?—The range of variation would be between $1s. 4d.$ and $1s. 3\frac{1}{2}d.$ Interest rates, while higher in India than in England, could never vary to any great extent from London rates, because the two currencies would be linked together.

3430. That is to say, the lender of sterling capital, the rate at which he lent his capital in India being fixed, would not be subject to any fluctuation in his interest or principal. Is that it?—In my opinion interest and profits will be greater in India than in England, but there never could be any great fluctuation. For instance, our late position with a 12 per cent. rate in India, and 4 per cent. rate here, could never occur with the two currencies readily interchangeable and flowing backwards and forwards. Money would flow to India to take advantage of the high rates there. Prices would cease to be disturbed by the fluctuation of sterling exchange.

3431. You spoke about the general rate of interest. Your observations apply to discount rates as well?—The Bank's discount rate for short dated paper never varies much from its interest rate on demand loans; and, as a rule, the bazaar rates for first class hundis follow the bank rate in ordinary circumstances. First class shroffs stop borrowing, as a rule, when rates rise above 8 per cent. or so.

3432. But that is affected by the deficiency or sufficiency of the currency?—It is affected by the sufficiency or deficiency in the money market, but under my scheme, money flowing backwards and forwards freely, the bank rates and discount rates could never rise much higher than in London.

3433. Then your scheme is the establishment of a gold standard without a gold currency?—Yes.

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3434. And you think that would establish confidence in India, and induce the flow to India of loanable capital which is not now flowing in that direction?—No London capitalist could question the return of his capital without loss, provided the Government of India guaranteed that the rupee currency should be convertible into sterling drafts in London, at any time, at the rate of 1s. 3 $\frac{1}{2}$ d. There would not, I think, be any want of confidence on the part of London capitalists in the guarantee of the Government of India.

3435. (Lord Balfour of Burleigh.) You said, and, I suppose, everybody will agree with you, that in the busy season in India there would be a demand for more currency than when business was inactive and slack?—Yes.

3436. Can you apply any test so as to measure the necessities of the country at the two different periods of the year?—The best test is the rates—the bank rates of interest, and also the rate of exchange.

3437. Of course that is so when the demand goes up and down, but there is a great deal of controversy as to whether currency is redundant or not. You hold that it is not, and the Government of India hold the contrary opinion. It is obvious from what you have said, that what is sufficient for the necessities of trade in India at one period of the year would not be sufficient at others. My question was not so much directed to asking whether there was a difference in the rate of demand for it, and what had to be paid for accommodation, but to seeing whether it was possible, in your opinion, to get any estimate of the different amount which could be properly employed at one period of the year and at another?—I think the best indication of the variation in the amount of currency required would be shown in the Presidency Bank balances, which are always much lower during the busy season than during the slack season.

3438. Which Presidency banks do you mean?—The three Presidency banks—the Bank of Bengal, the Bank of Bombay, and the Bank of Madras.

3439. If you have not already given us the figures, will you tell us over a series of years what are the different amounts which have been standing at the banks at certain test periods of the year which you think would best show it?—I have here the combined balances of the three Presidency banks at the end of each month since the mints were closed. In July 1893 the combined balances of the three Presidency banks amounted to 8 crores 63 lakhs.

3440. (Mr. Hambro.) Including the Government?—Including the money deposited by Government. In February of 1894, which you may take as the busy season, these balances had fallen to 4 crores 36 lakhs. In November 1894 the combined balances were 10 crores 45 lakhs. In February 1895, 4 crores 65 lakhs.

3441. (Lord Balfour of Burleigh.) What is the extreme variation between the highest period in a year and the lowest period?—Taking the closing balances each month, the variation has not exceeded 6 crores any one year.

3442. Would you, under your scheme, expect that that amount of bullion would ever be moved between London and India in the course of a year?—I do not think so. Of course it would be very profitable to Government if these large movements of currency did take place, because the Government would be buying the surplus rupees during the slack season at the rate of 1s. 3 $\frac{1}{2}$ d., and would be selling them again during the busy season at 1s. 4 $\frac{1}{2}$ d., that is to say, at a profit of 2 per cent. No doubt that would be profitable, but it is probable that the exchange banks would, as a rule, find it better to hold over a large part of their capital. It would depend very much whether there was a great demand for money in London at the time, but, as a rule, I think, the demand for conversion would not exceed that sum.

3443. But, if I understood your answer rightly, the tendency would be for the transfer of bullion from London to India and *vice versa* at different periods of the year?—Yes, the slack season in India

corresponds very much to the busy time here. This is a point in favour of the scheme. The slack season in India is in the autumn, and at that time in India money is often plentiful, and I have no doubt the exchange banks would find it profitable to take advantage of the Government scheme and remit money in the autumn from India to London and get it back again in the busy season.

3444. But you would look at that without apprehension, so far as the interests of the Government are concerned, if it was done at the times you suggest? Not only it could not do the Government any harm, but it would be a means of advantage to them?—Just so.

3445. In the first words of paragraph 6 of your scheme, you say, "If the gold standard reserve should decrease at any time to 'apprehension point,' i.e., show a likelihood of becoming exhausted, it would indicate that the rupee currency was seriously redundant, or, in other words, that there were too many rupees in circulation, and it would be the obvious duty of Government to curtail the currency." Do you mean by that that if there were rupees idle in India they would be employed, under your scheme, in buying drafts on London?—They would be employed, if held by remitters, in buying drafts on London.

3446. But you have just told me that you do not think that that would ever go to the extent of the balances which are held in the banks?—The Gold Standard Office remittances, in my opinion, would be almost invariably made by the exchange banks, and the exchange banks would not like to lose the profit which the Government might gain by the transaction. It is simply a question of profit or loss. If money were in demand in London, and exchange banks could not buy mercantile bills on better terms, then advantage would no doubt be taken of the opportunity of remittance, but the limit would be the currency which the Presidency banks could spare.

3447. Can you give me in sterling value the number of crores which represent the variation between the extreme low and high?—The variation shown in the figures that I gave was 6 crores, which would amount to 4 millions sterling.

3448. Do you think that there would be any risk of this scheme of yours drawing hoards from private sources in India into the banks and so increasing the balance, and thereby tending to make an increase in remittances home?—I think that of all schemes that have been proposed this scheme would have the least effect in tempting rupees out of hoards for exchange into gold.

3449. I might grant that, but that is not quite a sufficient answer to the question I put. Therefore, I think, I must ask you to go further?—I will put it in this way. Take first the proposal to have a gold currency. If you have a gold currency in India there can be no question I think that the hoarders will prefer a handy coin of full metallic value.

3450. Some people say that they like a coin of less value in relation to its bulk because a large amount in value is not so easy to run away with. I do not know whether that affects your mind at all?—I am afraid they are wiser than that. They prefer a small coin, such as a threepenny piece, to a penny. That, I think, is a very convincing argument, that, were a gold currency in operation, the hoarders would prefer a handy coin of full metallic value to a coin bearing a heavy extrinsic value.

3451. But, under your scheme, he would not get that amount?—Under my scheme no facilities would be given. Of course, were a gold currency established, gold would be on the spot and each hoarder of 15 rupees could get a gold coin. Under my scheme the conversion rate of exchange would be 1s. 3 $\frac{1}{2}$ d., that is to say, a hoarder would find that under the Government scheme he would have to pay 15 $\frac{1}{2}$ rupees for his gold sovereign. An Indian hoarder would not do that, because he would consider that sooner or later the exchange must rise to 1s. 4d., and that that would be the proper time to buy his gold. It would

closing of the mints. Do you agree with that?—Yes, because the closing of the mints is not accompanied by convertibility. That is an all-important qualification.

3708. Do you think in consequence of the withdrawal of capital by the exchange banks the Presidency banks have less competition now in conducting their business than they had before?—During these times of pressure it has not been a question of competition. All the Presidency banks would be only too glad to have seen larger supplies of capital.

3709. They desire to have competition, do they?—Under these circumstances, of course.

3710. That is not the usual experience of traders, that they should wish for more competition?—But the position of late has been so serious.

3711. But if there had been more competition, would they have been able to demand such high rates of interest as they have been demanding?—I do not myself consider that these high rates of interest are advantageous to banking interests, or to any bank.

3712. You think they would be lower if there were more competition?—With a larger supply of loanable capital.

3713. I should like to ascertain your opinion as to what the effect of a lower exchange would be on the flow of capital from this country to India. We have been told that capital has been sent home to England?—The prospect of a drop in exchange, for example, a drop of exchange to the silver point—to 11*d.* or less—would simply drive capital out of India. There is no question about it.

3714. And the rise in exchange has also driven capital out of India?—The prospect of a rise in exchange would naturally attract capital to India.

3715. But the actual fact has been that a rise in exchange has driven capital out of India, because I understand that capital has taken advantage of the improved exchange and been brought home to England?—That is owing to the defect in the present currency system—the want of convertibility.

3716. So that we are landed in this dilemma, that a fall and a rise seem both to have affected the money-market unfavourably, the latter by driving capital from India, and the former by keeping it out?—That was simply owing to want of confidence. Under a convertible system that would not have happened.

3717. Whatever the motive was, the effect seems to have been the same?—The prospect of a drop in exchange, whether there has been a rise or fall previously, very naturally prevents capital from going to India.

3718. I understood you to say that your chief object in desiring a fixed exchange was to secure stability rather than to contend for a 1*s.* 4*d.* rate of exchange?—Certainly, in the interests of capital, stability is the important desideratum.

3719. You admit, do you not, that the higher the rate, the harder the task which the Government has before it in the maintenance of that rate?—Certainly.

3720. And if the rate to be fixed were lower, everyone would agree that the Government would have a very much better chance of being strong enough to maintain that rate?—In my own mind there is not the least doubt as to maintaining the exchange at 1*s.* 4*d.* without any difficulty whatever with convertibility.

3721. But you are aware that some people have a doubt about the Government being able to maintain exchange at 1*s.* 4*d.*?—Yes.

3722. But even those people would have less doubt, and much more confidence, if the rate were fixed lower than 1*s.* 4*d.*?—Certainly.

3723. Confidence would be forthcoming from those who at present express want of confidence?—Yes, but there would be no want of confidence if Government gave a guarantee. I cannot see how there can be any want of confidence in that case.

3724. You admit that confidence would be likely to be increased if a lower rate were fixed upon. That would be an important addition, because you admit

that confidence is the great desideratum in these matters?—The confidence in that case would only be confidence in the Government, and if once the Government gave the guarantee it would not matter whether the rate was 1*s.* 2*d.*, 1*s.* 3*d.*, or 1*s.* 4*d.* Capitalists would have perfect confidence in the guarantee of the Government of India.

3725. You admit that the question of ratio is, in the opinion of some, the crux of the position—that is, the rate to be fixed?—I, myself, have always said that the rate should not be raised in any way that would disturb trade. I do not say it is the most important desideratum, but I think it is a very important consideration.

3726. So far as I have been able to judge from the witnesses who have come before us, a high rate seems to have very few defenders. They most of them seem to say that it is of less importance to have the exchange fixed at 1*s.* 4*d.* than to have stability. That you confirm?—Yes.

3727. The Government is a gainer by a high rate, of course?—Yes. The Government gains by a high rate.

3728. On the contrary, if the rate were rather lower, do you not think the effect would be to stimulate exports, and to induce greater prosperity to the agriculturists of India?—Temporarily only; and at the same time any such benefit would be gained at the expense of their neighbours. Money is merely a medium. It is just the same with measures, such as weights and scales; if you alter weights and scales, one party will gain, but what he gains the other party will lose.

3729. You admit it would be a very serious matter to announce the convertibility of the rupee, and to fail to give effect later on to that convertibility. That would be a huge disaster, would it not?—A huge disaster.

3730. Therefore, you agree that no plan should be adopted unless with the practical certainty of success?—It need not be a huge disaster if the failure is only temporary. For instance, during the Franco-Prussian war there was a period of one or two years when convertibility practically ceased, but all people felt confident that eventually the Government after the trouble was over would re-establish convertibility. In a case like that, I do not think there would be any serious disaster.

3731. In reference to your gold reserve, would there be any bar to the native money-changer getting an order on London for 100,000 rupees worth of gold and importing that gold into India, and retailing it in small quantities? You say that it would not pay him to do it?—It would not pay him to do it, because he would be buying the gold at its highest price.

3732. But if he chose to do it there is no bar to his doing it?—That is so. All remitters of large sums would be allowed to avail themselves of the Government offer.

3733. You admit that convertibility is less perfect if it can be carried out only at a great distance, and for large amounts. You do not want to make it too easy, I suppose, to get gold?—But I think, as far as the effect on currency is concerned, it is all that is required. In the opinion of great authorities it is the most perfect system possible.

3734. Hitherto we have been often given to understand that there are only two alternatives in dealing with the currency question; one to have a gold standard, with an ample backing of gold, and another to have a silver standard with open mints; but your system seems to be a sort of half-way house?—Yes, the backing of gold is ample, but it is small, because its use is confined to convertibility for foreign payments.

3735. You wish to have a gold standard, with the most economical use of gold and the largest possible use of silver?—Yes.

3736. (*Mr. Campbell.*) You bring forward some examples in support of your scheme. You allude to Ricardo's recommendation for economical and secure

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currency, and to the action of the Scotch banks about 1763?—I do.

3737. Do you think the conditions in these two cases were analogous to those which we are now considering?—Of course this is a much bigger affair, but it is a question of proportion; the resources are larger. It is only a question of thinking in lakhs instead of thinking in thousands.

3738. But was not Ricardo considering how to facilitate the convertibility of gold notes, the least onerous way of enabling the Bank of England to fulfil its obligations to repay in gold the notes it had issued?—I think Ricardo's scheme was a general one, not only applicable to the Bank of England, but generally applicable, because he specially lays that down. He says a currency of this description might be equally well issued by a Government as by a bank. You will remember that I read that passage yesterday.

3739. The point I want to put to you is whether this was not merely a question of enabling gold notes to be cashed in gold?—It was a question of establishing a currency on a safe and economical footing, an economical footing especially. I do not think it was intended as applicable merely to the Bank of England. I imagine that Ricardo framed his ideas from the Scotch system and from the report of 1804.

3740. But was it not the question of repaying notes in gold bullion instead of gold coin?—That was the method.

3741. It was paying a gold note in gold. Now, would you consider that the same thing as for a Government to undertake the convertibility of an unlimited amount of rupees into sterling, and of sterling into rupees?—Precisely. Ricardo proposed that gold bullion should be converted into notes at certain rates, and that those notes should be converted into gold at another rate, and that is precisely what I propose that the Indian Government should do.

3742. But in their case it is not a case of paying gold notes in gold, but of converting silver currency into gold currency?—I look upon rupees under the present system as simply inconvertible metallic notes, and they operate entirely according to the laws that govern an inconvertible paper currency. I think the laws that govern an inconvertible paper currency and the laws that govern an inconvertible coin currency are precisely the same.

3743. When a bank or a Government issues a note in exchange for gold, and undertakes to repay gold on presentation against that note, there is an obligation which it must fulfil. The undertaking to exchange rupee currency into gold currency, or exchange gold currency into rupee currency, is a much larger responsibility, is it not?—It is, simply because possibly the number of the metallic notes is greater than the number of the paper notes. Apart from that it is a mere question of resources. If the resources are large enough I see no difference.

3744. It is the difference between the undertaking to pay a gold note in gold and an undertaking to pay a gold note in silver?—That, of course, is simple enough. That part of the scheme making the sterling currency convertible into rupee currency is simple and profitable. And the reverse operation is precisely the same, to my mind, as that of converting the paper notes into gold under the legislation of 1819. I see no difference whatever.

3745. As regards the case of the Scotch banks, I think you said, in reply to the Chairman, that you have no information of the extent of the fund provided, to what extent it was used, or the cost, if any, which it entailed on the banks?—No, I have not gone into that, but for my part I do not see how that affects the question. I admit at once that the currency of Scotland was much smaller than the currency of India, and that the currency of India will require a larger conversion fund, but I maintain that the advantage to Government, the economy, and the profit to the Government, will be immensely greater than was the

profit to Scotland, simply because the currency of India is larger. The larger the currency the larger the profit.

3746. Would the cost of providing that gold fund in London by the Scotch banks be greater than the cost of carrying gold from Scotland to London?—There is no doubt it was a measure of great economy, or the Scotch banks would not have entertained it.

3747. The cost of providing the fund would only mean the cost of transferring gold from Scotland to London?—Providing gold coins in Scotland? Oh, very much more than that, because if the Scotch banks had made their notes convertible into gold coins in Scotland, those gold coins would have taken the place of the notes, and many more gold coins would have been required than were necessary; but by making the notes convertible only into drafts on London, the full amount of the currency required was retained in the form of paper, and the gold that would have otherwise been required was saved to the country.

3748. The object of your scheme is to confine the exchange value of the rupee within limits of 1s. 3½d. and 1s. 4¼d. sterling?—Yes.

3749. And that you say has the effect of putting India on to a gold standard?—Yes, her prices, her contracts, her currency, would be measured in gold.

3750. It would ensure convertibility of the rupee into gold at 1s. 3½d., and the convertibility of the sovereign into rupees at 1s. 4¼d.?—Yes.

3751. Take it the other way round. If it gives India a gold standard, may it not be said in the same way that it gives England a rupee standard?—No, because in the case of Scotland, English prices, English contracts, English currency, were measured in gold, not in paper. In the case of India, India's prices, India's contracts, India's currency, would no longer be measured in silver, but would be measured by the definite international measure, gold.

3752. But beyond a comparative few in either country who have dealings with the other country, would the phrases "gold standard" and "rupee standard" have any meaning whatever?—Certainly.

3753. Do you think that the average native of India would understand that his rupee could be converted into 1s. 3½d. sterling; would it be a matter of any consequence or importance to him?—Judging by the past five years it would be of no importance whatever, because he is perfectly content with his present token-rupee, and it would make no change to him; so far as internal transactions are concerned there would be practically no change, except that prices would be measured by gold.

3754. And would be affected accordingly?—And would be affected accordingly; they would be put on the level of prices and contracts in all the great commercial countries.

3755. (Sir F. Mowatt.) You say the native would not know that it would affect him, but you do not go so far as to say it would not affect him?—He would not know it, just as at present he does not realise the change caused by the closing of the mints.

3756. (Mr. Campbell.) Then, regarding the five millions or 10 millions to be borrowed in London and deposited at the India Office or the Bank of England, would the deposit be made in actual coin?—That is a detail. My proposal is that Government should raise a loan of 10 millions, and deposit that as a sort of current account in the Bank of England.

3757. Of course that would have the advantage of not withdrawing that 10 millions from circulation?—Certainly. I am very desirous of meeting the wishes of the London bankers in that respect.

3758. I presume statements would be published from time to time, showing the position of the account?—Certainly; full publicity is desirable in all these matters.

3759. (Mr. Hambro.) You say it would not be withdrawn from circulation, but if gold was deposited with the Indian Government, it would go out of circulation?—No, it would be in the form of a current account with the Bank of England.

3760. (*Mr. Campbell.*) You are aware that the Indian Council has about 17½ millions to draw in India annually to meet the home charges?—Yes.

3761. You propose that these sales should go on as now?—Yes. May I read a remark upon that point upon page 99 of my pamphlet:—“Mr. Abercrombie, in a speech in the Bombay Chamber of Commerce, remarked that ‘If Council bills are sold at less than 1s. 3¼d. the proceeds may have to be taken over by Government next day at 1s. 3¾d. by conversion of the rupees.’ I say with regard to that, ‘Any small loss of this kind might be avoided if, as suggested by the Madras Chamber of Commerce, the Secretary of State refused to sell below that rate, and took sterling instead from the gold standard reserve, paying the equivalent in rupees to the Gold Standard Office in India; and it will be for Government to consider whether it is better to escape the small loss, or to face it for the sake of leaving exchange operations entirely in the hands of the market.’” I had, to some extent, the interests of the exchange banks in my mind when I thought of that. No doubt the margin of fluctuation will be limited under this scheme, and they will lose in this respect, although they will gain in others; and as the profit, if it ever can be gained out of Government, would be a very small one, I see no objection to giving it them.

3762. There would be no objection, in your opinion, to the Indian Council taking remittances from the Gold Standard Office?—No, but I think it is desirable, as far as possible, for Government to keep themselves entirely outside exchange operations—to leave exchange operations entirely to the working of the market.

3763. If trade influences favoured a rise in exchange, the rise would be checked at 1s. 4½d.?—Yes.

3764. And if they favoured a fall, the fall would be arrested at 1s. 3¾d.?—Yes.

3765. So long as silver could be bought and shipped, would there be any difficulty in preventing exchange from advancing beyond 1s. 4½d.?—Exchange could not advance beyond 1s. 4½d., as long as you have convertibility at that rate.

3766. But the Government would have to ensure convertibility by buying and coining silver?—Certainly. Suppose the rupees in the Indian Gold Standard Office became exhausted, then, of course, fresh silver would be coined. That, I think, is one of the special advantages of the scheme—that it affects the silver market very little.

3767. However great the demand for remittances to India at 1s. 4½d., it would only be a question of shipping and coining so much more silver to meet the London office drafts?—That is all.

3768. Now, as regards the other question, the preventing of exchange from falling below 1s. 3¾d., would you limit the Government's power in the first instance to the 5 or 10 millions borrowed?—There is no limitation, that is the permanent provision.

3769. In the event of this fund becoming exhausted, you propose that the Indian Gold Standard Office should melt down and send to England for sale the rupees held by it?—In part. I do not think I described the operation. It is described at pages 58 and 59 of my pamphlet. I say, there: “To make matters clear, let us imagine that rupees were bits of gold weighing each 7·53344 grains troy of fine gold. If the currency became redundant these gold rupees would accumulate in the banks, and the banks, having more cash than they could employ, would be eager buyers of sterling bills; sterling exchange would drop gradually to specie export point, say, 1s. 3¾d. Lower than this it would not go, because it would be more profitable for the banks to ship their gold rupees to London for coinage into sovereigns, than to buy bills below 1s. 3¾d. This export of currency would relieve the redundancy, and in the natural course of events before two or three crores of gold rupees had been

“shipped, a rising exchange would show that the redundancy had ended, and before long a demand for fresh currency would arise, and the gold would come back. Under the ‘Lindsay Scheme’ the redundancy would manifest itself in the same way and the remedy would be the same, the only difference being that the silver rupees would be locked away in the Indian Gold Standard Offices instead of being exported. If, however, a lock up of two or three crores was insufficient to cure the redundancy, and the locking up went on until nine crores were withdrawn from circulation, the position would be as follows:—With a 10,000,000l. reserve fund there would be nine crores of rupees in the Indian Gold Standard offices, and only 4,000,000l. sterling in the London Gold Standard Offices. This might be taken as apprehension point, so half of the nine crores of rupees would be melted, and the bullion sold in London for sterling money, which would be deposited in the London Gold Standard Office. If sold at 26d. per ounce, the bullion would fetch about 1,500,000l., and the London reserve would become 5,500,000l. By repeating this melting operation, the rupee currency might be contracted to the extent of about 20 crores with a 10,000,000l. reserve fund, but there can be no contraction until exchange drops to 1s. 3¾d., and the gold standard reserve will not drop to apprehension point, unless there is a large and prolonged demand for conversion at that rate. The sign of redundancy with gold rupees or with silver rupees under the ‘Lindsay scheme,’ will be the drop in exchange to 1s. 3¾d.”

3770. Then you say that if that did not suffice to keep up exchange to 1s. 3¾d. you would resort to further borrowing in London, which you say should be on a temporary footing?—Yes I may mention that in my own mind such necessity will never arise, because with the sterling fund of 10 millions you can contract the rupee currency to the extent of 20 crores, and I think that is more than ample. Looking to the reserves of the Presidency banks it is more than double as much as ever will be required.

3771. Sir David Barbour put some questions to you as to the possibilities which might lead to such a demand for conversion of rupees into sterling as might involve the failure of the scheme. I will not therefore allude to this further, except to ask you whether, apart from the possibilities spoken of by Sir David Barbour, a still greater danger would not be a gradual sapping away of the fund which in the course of time might lead to the same result?—I cannot see any possibility of that, seeing that India is an undeveloped country, and that the more she is developed the more currency she requires; and the more currency she requires the more profit she will make and the more gold will be deposited in the London Gold Standard Office. That is a possibility that I do not think we need take into consideration.

3772. Now with your scheme in operation, would it be correct to say that while the Government of India budgeted for 17½ millions of Council bills, or, in other words, announces its desire to sell during the year about 26 crores of rupees at the best rate obtainable, it would be announcing through another department that it is prepared to buy rupees to an unlimited extent at 15¾d. per rupee?—I will deal with that question. I maintain that this system, which confines the use of gold to foreign payment purposes, is the best possible means of enabling a country to meet its foreign sterling debts. If under any other system gold is required for use in internal circulation or to be put in hoards, and for these purposes gold is drained away, there is a much greater possibility of danger arising, because whenever the gold in circulation gets small there is generally a rush to appropriate it in expectation of a fall in exchange and rise in the price of gold. Take the case of America, whenever the gold coins decrease in amount there is generally a rush for them by all parties to appropriate them and take them out of circulation. But in

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this case the gold is reserved specially for the purpose of meeting foreign payments, and is concentrated in one fund.

3773. Still, would not the position be this: that the Government announces itself as desirous of selling 26 crores of rupees during the year at whatever rate it can get, and on the other hand announces itself as a buyer of any quantity of rupees at 15½d. That is the position the Government would be in?—Yes, but there would be no demand for the sterling drafts at 15½d. unless the balance of indebtedness was unfavourable, and the scheme provides a remedy for that evil, viz., the curtailment of the circulation. When Government buys rupees, those rupees would be locked away, and that is the orthodox cure for an unfavourable balance of trade. Under this system you have the practical expedient that has been tried for ages, and found to answer, that of curtailing the currency when the balance of trade is unfavourable. You simply go on the system that countries have followed for years and years with success. I cannot see any better plan.

3774. You have expressed your views very strongly at page 15 of your preface, on what you call the disastrous policy of borrowing in sterling in order to curtail the sale of Council bills?—Yes.

3775. You refer there more particularly to what you describe as the attempt made to manipulate exchange by stopping Council bills during the second half of 1893?—Yes.

3776. Now, suppose the Council sells its 17½ millions of bills on India in the course of the year, and on the other hand that the Indian Standard Office has drawn on the gold fund to the extent of, say, 3 millions, would the net result of that not be that the Government has drawn 14½ millions out of the 17½ millions required, and that the balance has been provided by sterling borrowed?—Yes.

3777. It would be so?—That would be so.

3778. Then the two cases would have some points of difference between them?—Yes, all important points of difference between them.

3779. Under your scheme the rupees received for the 3 million sterling drafts sold would be withdrawn from the market and locked up in the Indian Standard Office?—That is so.

3780. In 1893 the money was not withdrawn from the market, but accumulated in the Government Treasury?—Yes.

3781. It may be in your recollection that the Treasury balances increased very largely at that time?—Yes.

3782. And, contrary to the usual practice, the Government of India raised no rupee loans during the next two years, but on the contrary paid off some amount of rupee debt?—Yes.

3783. I suppose you connect the fact that the Government were short in their Council drawings in 1893 with the large increase in the Treasury balances?—Yes.

3784. Do you also connect this increase in the Treasury balances with the cessation of rupee borrowing during the next two years?—Yes.

3785. Would that indicate that the money accumulated in India through the stoppage of drawings had been put to some use?—Yes.

3786. Would it mean that there was some curtailment of rupee borrowing as a set-off against the sterling borrowing?—Yes.

3787. While under your scheme the 3 millions would be withdrawn from the market altogether and locked up?—Yes, that is not the only difference, of course. May I refer to page 31 of the pamphlet:—“Arbitrary measures for contracting the currency, such as the stoppage of Council bill sales in 1893 and the destruction of rupees contemplated in paragraph 10 of Sir David Barbour's minute of 21st June 1892, involve less responsibility and may to some appear easier and cheaper; but they are the most expensive in the long run, because they are defective. They withdraw the wrong rupees, or

“at all events they do not touch the rupees that are actually depressing exchange at the time, they place no fixed limit to a fall in exchange, and therefore beget distrust, which in turn repels and expels capital from India. Trade is hampered and curtailed by high interest charges, and at times by an utter dearth of loanable capital; and exchange and the balance of indebtedness are adversely affected, because the production of commodities and the import of capital are both curtailed. If such measures succeed in the long run in creating a demand for rupees in exchange for sterling at 1s. 4d., it will be after serious injury is done to trade, whereas the automatic machinery now proposed attracts capital to India by offering it a return passage at a trifling charge, if wanted, and a reference to the works of Mill, Goschen, MacLeod, or any economist of note will show that provision for the conversion of the local currency into sterling money is the orthodox cure for an unfavourable balance of trade.” That is, in my opinion, the important difference between the two policies.

3788. Then you provide this—I will read your own words—that if the gold standard reserve of 10,000,000l. acquired by borrowing “should be decreased at any time to ‘apprehension point,’ that is to say, show a likelihood of becoming exhausted, it would indicate that the rupee currency was seriously redundant, or, in other words, that there were too many rupees in circulation, and it would be the obvious duty of Government to curtail the currency. They should take the step contemplated by the Dutch Government in 1884, and melt a portion of the rupees held in the Indian Gold Standard Offices, despatching the bullion to London for sale there for sterling money, which should go to strengthen the London Gold Standard Reserve.” This exhaustion of the London fund of 10 millions, if it took place, would imply, would it not, an accumulation of about 15 crores of rupees withdrawn from circulation, and lying in the London Gold Standard Office?—Certainly.

3789. Notwithstanding this, if exchange still showed a tendency to fall below 15½d., would you consider it evidence that the currency was still redundant?—Yes.

3790. And would you proceed again to remove the redundancy?—Certainly.

3791. Whatever might be the condition of the money market?—Certainly.

3792. Of course, the melting down and sending to London for sale the rupees held in the Standard Office would not affect the redundancy, because those rupees would already have been withdrawn from circulation?—Yes.

3793. They would provide fresh funds in London against which to draw, so as to enable more of the redundant rupees to be taken off the market?—Certainly.

3794. Taking the selling value of the silver rupee in London as 10d., which is about the present price, would the effect of this be that 15 crores of rupees bought at 15½d. were melted down and sold at 10d., in order to enable fresh buying of rupees to be proceeded with at 15½d.?—Yes.

3795. Then in other words, would it mean that a large portion of the currency had been melted down and sold at 10d. per rupee, in order to maintain the exchange value of the rest at 15½d.?—Yes; but may I point out that there would be no loss in the long run?

3796. Why?—Because sooner or later the currency would require to be replaced, and silver would be bought at whatever the exchange might be, certainly not over 11d.

3797. That is an assumption?—I can hardly think it is an assumption to say that a country like India will from time to time require fresh additions to her currency.

3798. Besides the loss involved in this, has it occurred to you that the longer you go on melting

rupees in this way, the more you lose your power of affecting the exchange market; that is, you lose your power of withdrawing redundant rupees?—I do not follow that.

3799. I will put it in this way. You would have acquired a fund of about 15 crores in the Indian Standard Office by drawing against the 10 millions sterling?—Yes.

3800. If you melted that 15 crores and sold it in London at the equivalent of 10*d.* you would realise 6,250,000*l.*?—Yes.

3801. Then, drawing against that 6,250,000*l.* at 15½*d.* would give you about 9 crores and 60 lakhs. That melted and sold would realise 4 millions sterling?—Yes.

3802. So that the second time you turn it over the 10 millions available for the purposes of the scheme would have fallen to 4 millions?—Yes.

3803. At that rate, would it not soon practically be exhausted?—Yes.

3804. And then you would have to borrow more sterling?—Yes; but, of course, the more you reduce the rupee currency the less the necessity for further reduction.

3805. What is your definition of redundant currency?—Under a convertible system it is very clear that the exchange is an accurate indicator of redundancy or the opposite.

3806. Would you consider that high interest rates, and a stringent money market, were no evidence that the currency was the reverse of redundant?—High interest rates, and a stringent money market, as a rule, indicate scarcity of money.

3807. You say the question of redundancy of currency or otherwise is more a question of the exchange value of the rupee?—Under a convertible currency system the rate of exchange is a clear indicator of redundancy of the currency, or the opposite.

3808. In your view then, a currency which would only be sufficient when exchange was 1*s.* 2*d.* would become redundant if exchange went to 1*s.* 4*d.*?—Yes, on both occasions the currency being on a convertible footing.

3809. And if it were desired to maintain exchange at 1*s.* 4*d.* the redundancy would have to be removed?—The redundancy would have to be removed. That is an important qualification that I make when I say on both occasions the currency being on a convertible footing.

3810. I am speaking of your scheme?—More capital will be attracted, and therefore more currency required under a convertible scheme.

3811. Do you believe that by contracting the currency sufficiently, you could establish any rate of exchange you please?—Of course, I should not like to reply to that, because I am utterly adverse to anything that would disturb trade.

3812. You said, in reply to Sir David Barbour, that you would not approve of a ratio being adopted which would injure trade?—Quite so.

3813. How would you find out the ratio to which trade would best adapt itself?—If trade adapts itself fairly well, as it has done during the past few months to the level of 1*s.* 3¾*d.*, then, trade could not possibly be disturbed with fixity at that rate.

3814. Would you think ten months' experience long enough?—The only price you have to consider at all is the price of the articles interchanged between India and gold-using countries. That is the only thing that you need think of. The moment that there is a fluctuation in exchange, that very moment there is a fluctuation of rupee or sterling prices. If you have a level of exchange lasting for ten months, and if you establish the prices for ten months, I do not see how you interfere with trade by fixing that rate permanently.

3815. Have the last ten months been normal as regards trade and otherwise?—You have had a very active export trade of late, which is all you need look to.

3816. But although the exchange last year averaged

close on 1*s.* 4*d.*, are you aware that the Council only sold about 9 millions instead of 17½ millions?—On the other hand these Council bills were curtailed chiefly owing to the famine, and that, again, curtailed the exports, and the one thing is a set-off against the other very much.

3817. Do you not think the experience you need should be of longer duration and under more normal conditions than we have had in the last two years?—You must look at the question from two points of view—the Government and the trade point of view. From the Government point of view, it is beyond question, that 1*s.* 4*d.* is the desirable rate to establish.

3818. Then take the trade point of view?—As to that, I say again that the adjustment between the rate of exchange and prices of commodities, interchangeable between the two countries, is immediate, and if you have a level of exchange at 1*s.* 3¾*d.*, lasting for a period of ten months, coupled latterly with a good export trade, you cannot interfere injuriously with trade by making that rate permanent.

3819. If those ten months were a normal period, there would have been something in it, but we have had famine, war, and curtailment of Council bills during that ten months?—As far as I understand, the question is the disturbance of prices. I do not think you will disturb prices by fixing permanently a rate that has lasted for about ten months. That is my opinion. Of course there have been abnormal conditions, no doubt.

3820. Would a high rate of exchange tend to put down prices in India?—Either it would tend to put down rupee prices in India or to raise gold prices.

3821. Assuming that gold prices are unchanged, would it tend to put down rupee prices?—Certainly.

3822. For an export country like India, whose exports largely exceed her imports, would not low prices be a misfortune?—Stability of prices is what is desirable. I do not see how low prices are a misfortune to a country. It is stability in these matters that is desirable.

3823. If a country exports 30 crores of surplus exports, it would be an advantage for that country to get high prices for its products?—I think myself that a fall in the rupee exchange tends to lower the gold price of commodities, and that it is very desirable in the interests of India, with a large foreign debt, which it pays by its products, that the gold price of those products should be maintained. From that point of view, I think a fall in exchange very undesirable.

3824. Have the trade balances, in your opinion, any influence over the rate of exchange?—The balance of indebtedness, of course, has an all-important influence on exchange. The balance of indebtedness rules exchange.

3825. That is, if the balance of trade in India's favour is large it would tend to improve exchange?—Yes.

3826. And if small, it would tend to depress exchange?—Yes, other things being equal.

3827. Might not a falling tendency in exchange be due to a diminished trade balance in India's favour?—Certainly.

3828. And in that case would it be a desirable remedy to keep exchange up, by removing so-called redundant currency?—It is desirable to fix exchange, and if there was a fall in exchange the natural remedy would be, of course, to remove the redundancy of the currency by convertibility.

3829. Would an artificial contraction of the currency tend to promote a more favourable trade balance? Would what you call removing the redundancy of the currency tend to promote a more favourable trade balance?—That is the natural cure for an unfavourable balance of trade—the curtailment of the surplus currency. I can quote authorities for that.

3830. Melting and exporting currency, by adding to the exports, would tend to have that effect?—If an exchange bank did it, it would affect exchange; and

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if Government melted rupees and exported them it would curtail to a certain extent the Government Council bills. Anything of that kind, of course, affects the exchange.

3831. On that point you allude to Mill's theory, that the export of currency from one country to another tends to raise interest in the exporting country and lower it in the importing country, and thus to turn the current back in the other direction?—Yes.

3832. Was not Mill referring to countries with the same standard?—He was, but the argument equally holds good in the case of my scheme with this exception; in the one case the gold coins exported make the payment, in the other case, for the sake of economy and convenience, under Ricardo's system the payment is made from a conversion fund, not with the currency; but the principle is the same, and the effect on the exchange market is the same.

3833. Is the principle the same? If you export silver from India to England and sell it there, will that ease the English market?—I see the point that you make. Let me put it in this way. That defect can be remedied if it is thought to be a defect, by, instead of keeping 10 millions of gold in an account current with the Bank of England, keeping it in the India Office or in a special reserve. That will have under this scheme precisely the effect that it would have under a gold currency—precisely the same effect on the London market, and on the Indian markets; but these remittances would have such a trifling effect on the London market that I think it is desirable to meet the wishes of the London bankers by not withdrawing the gold reserve fund from the London money market. The effect in India of a curtailment of the currency is very important, but the effect on the London money market of a temporary curtailment of the currency of this extent is so trifling that I do not think it would affect prices much.

3834. The shipment of silver to be sold in England would not affect the English market any more than shipments of cotton?—Silver in London would be a mere commodity like cotton, but on the other hand, as I said before, if you desired that the London prices and so on, should be affected by these operations, as they would be affected under a gold coinage system, the remedy is simple. Instead of keeping your 10 millions in a current account, arrange to keep it in the India Office or in a special reserve, and that would have precisely the same effect.

3835. Would it not be rather a wasteful method?—I agree.

3836. You might keep it for years there, and it would not be wanted?—Certainly, I quite agree.

3837. In the case of India, with her large foreign trade, would you consider it preferable that she should pay her foreign obligations by means of produce rather than by exporting currency?—Of course, the curtailment of currency under my scheme is arranged in order to make India pay her debts by produce. It is a cure for an unfavourable balance of indebtedness. The desirable thing for every country is, to pay its obligations in produce.

3838. And for India it would be still more desirable, in view of the fact that her currency can only be sold abroad at a very heavy loss?—Under my scheme, her currency will not be sold abroad at a heavy loss. Some rupees on certain occasions may be melted and sold, but that loss will be recouped whenever India requires additions to her currency.

3839. That is an assumption again?—I think you can hardly call it an assumption, to say that a country like India will from time to time require fresh additions to her currency.

3840. Would withdrawals of currency tend to tighten the money market?—The withdrawal of currency will tighten the money markets, but under a convertible system, where the rupee currency is linked to sterling money, there can be no injurious tightness, because the least tightness in India would lead to a flow of capital from Lombard Street to the Presidency

towns. If the London capitalists are assured of getting back their capital without loss, is it not natural to expect that when high rates are offering in Calcutta, they will send their capital there to employ it?

3841. But there is a large margin?—That brings up the question of the margin between the two rates. Colonel Christie, who has studied the subject most carefully, is an advocate of having no margin at all. I do not wish to interfere with the operations of the exchange banks, and I think the natural margin is the one I have selected. I have selected the one which would rule under a gold currency system. If the Committee think that that margin is too great to prevent the flow of capital, it can be reduced.

3842. Much of the industry of India is carried on with borrowed money?—Oh yes.

3843. And might not high rates of interest check production by rendering it unprofitable?—Certainly.

3844. And in that case, might it not interfere with India's ability to discharge her foreign obligation in produce?—Certainly.

3845. And so tend to throw her back on exports of currency for that purpose?—It might in time.

3846. She would have to pay somehow?—Certainly.

3847. You say India could not spare enough currency to interfere with the success of your scheme?—Yes.

3848. But if trade were to be harassed by withdrawals of currency and a continuance of stringent money, might not the volume of trade decrease?—But the very special difference between this proposed currency system and the present is this; my system links the two currencies together. I hold that there can be no very severe stringency in the Indian money market as long as the two are linked together, because capital will flow from one country to the other, and there could not be any severe stringency under such a system as I propose.

3849. But India, if it wants currency, has got to pay for it?—I think the capitalists of Lombard Street will only be too happy to lend India currency when she requires it, under a system of this description.

3850. At page 6 of your pamphlet you say the question is, how much contraction of the currency could the Indian money markets bear without force being put in motion which would rectify the balance of indebtedness, and call for the return of the remittances; and, further, you allude to the point beyond which the Presidency banks could spare no further funds without raising their rates of interest to a height that would depress prices and create a demand for the return of currency exported. Does that mean that monetary stringency is to be relied upon to compel currency to return to India?—To a certain degree. In all gold standard countries it is the one thing that attracts fresh currency. If there is a want of currency, it is shown by the rise in the rate of interest, and it is the same with the London market. The Bank of England rate is raised. Why? For the purpose of attracting capital from abroad.

3851. Then you think that English capital would be attracted to India at the rate of $1s. 4\frac{1}{2}d.$?—A high or low level of exchange is the same thing to the capitalist; the rate of exchange will not affect him in the least if he knows that he can get back his money guaranteed by the Government of India without loss.

3852. At a loss of 2 per cent.?—It is for the Committee to consider whether 2 per cent. is too much.

3853. Would a temporary high rate of interest be sufficient to attract capital, taking into account the loss of time involved in sending it out and getting it back, in addition to the 2 per cent. loss on exchange?—It is open to the Committee to prolong the Gold Note Act, by which money can be remitted by telegraph.

3854. At a higher charge?—The great desideratum in India is a plentiful supply of capital, and it is for the Committee to arrange how that can be supplied. If these telegraphic facilities can be given on cheaper terms, why not?

3855. Then, with regard to permanent investments, would confidence be established until it became evident that the scheme was a success?—I am quite confident that capitalists in London, Paris, and Berlin will have complete confidence in an absolute and permanent guarantee on the part of the Government of India to convert rupees into sterling drafts in London. Nothing more is wanted.

3856. Then money sent out for investment means larger homeward remittances to pay for interest, profit, and so on?—Certainly, the more a country is developed the more she is able to pay.

3857. I think you said, in reply to Mr. Holland, that in the long run it is on her trade balance that India must rely for her supply of currency?—Yes.

3858. She must have fresh currency and pay for it by means of her produce?—Certainly.

3859. But before India has the means of acquiring currency in this way she must, must she not, have a balance of trade sufficient to provide for the 17½ millions of Council bills, in addition to the large private remittances to this country which have to be made every year?—Certainly.

3860. We have seen that in some years the balance of trade has not sufficed for that?—There has been no proper remedy for an unfavourable balance of trade. Since bimetallism was abolished, India has had no proper remedy for an unfavourable balance of trade.

3861. But might not an unfavourable balance of trade happen even under your scheme?—Yes, and an immediate remedy would be applied.

3862. What is the remedy?—Curtailement of circulation.

3863. If India had not a trade balance sufficient to enable her to get fresh currency in this way, would she have to do without it?—I said just now that the immediate remedy would be applied, the remedy that all gold-using countries have would be applied at once. There would be no more fear of India suffering from an unfavourable balance of trade under this scheme than there would be of any country so suffering that possessed a gold currency.

3864. The question has been before the Committee whether the great discrepancy between the intrinsic value and the face value of the coined rupee has led to any increase of illicit coining?—There has been no illicit coining of Government rupees as far as my experience goes.

3865. Has there been any illicit coinage of other rupees?—There has been illicit coining of Native State rupees. Just before I left there was an illicit coinage of Farrukhabad rupees to the extent of 60,000. The defence in that case was that those coins were coined merely for use as ornaments.

3866. Not for circulation?—Not for circulation. That was the defence.

3867. But are ornaments made in the form of coins?—Oh, yes; silver coins are largely used for ornaments in India.

3868. Were those coins equally good with the real coin?—Might I say this: I have some information about those Farrukhabad rupees, which I shall be able to give on a future occasion. I had a letter from one of our agents by the last mail which I have not had the time to go into.

3869. (*Sir J. Muir.*) I hear now, for the first time, about rupees being used largely as ornaments. On what part of the person are they used?—They are used for necklaces.

3870. By females?—Yes; girdles, and so on.

3871. In the tea estates in our tea-garden districts I do not remember having seen that at all?—I think they are largely used in the Darjeeling tea-garden districts.

3872. (*Sir C. Crosthwaite.*) You rely, I think, a great deal on the Scotch example?—The Scotch precedent; yes.

3873. Do you think that the cases are analogous completely?—I think, as far as principle is concerned, and as far as all important considerations are concerned, they are analogous.

3874. But had the Scotch banks to meet a large gold liability on their own account?—I think, myself, as I have explained, this system is the best possible for meeting a foreign gold liability.

3875. But had those banks, on their own account, to meet their own debts to pay large sums in gold in London at that time?—I have no information on that point.

3876. Do you think that the fact that the Secretary of State has to pay very large sums on his own account alters the case?—I think my scheme facilitates that, and facilitates it more than a gold currency scheme would.

3877. I do not quite understand whether, under your scheme, you intend the Secretary of State to go on selling his bills concurrently with the sale of rupee bills by the Gold Reserve Office?—I explained just now, in reply to Mr. Campbell, that, personally, I thought it desirable that the Council bill sales should be continued as they are at present; but, of course, that is a matter of detail for the Committee to consider.

3878. At present the general rule is to sell the bills for what they will fetch?—Yes.

3879. Do not you think the Secretary of State might be forced, under your scheme, to sell his bills below the minimum rate?—The rate could not fall much below the minimum, because the competition of the exchange banks, and (if necessary) the competition of outside operators, would preserve the bills from a fall of any importance below 1s. 3½d.

3880. You think it might fall below the minimum rate, but not very much?—There could be no fall of any importance, because the proceeds could be returned at any time with profit through the Gold Standard Office.

3881. I did not quite understand what you thought would happen if the exports in any year were not sufficient to meet the Council bills. If the net exports of India in any year were not sufficient to meet the sterling liabilities, what would happen to the Secretary of State's bills?—There would be in a case of that kind a redundancy of currency. All would go on exactly as it would go on in a country with a gold currency.

3882. But suppose the Secretary of State puts up his bills for sale, and there is nothing to meet them in India; if owing to famine or other causes there is nothing to export, and no one wants his bills?—Under this scheme he could not fail to sell them, because the exchange banks would buy them, knowing that when they got the proceeds in India they could buy drafts on the London sterling fund.

3883. The Secretary of State would really be, in effect, buying his own bills?—Precisely the same thing would occur under a gold currency, and under any system that you like to institute.

3884. Therefore, the whole thing depends on the net exports being sufficient?—The net exports must be sufficient, and the scheme provides for that.

3885. Every scheme is the same in that respect?—Every scheme is the same in that respect. That is to say, every convertible scheme is the same.

3886. You object to the Government scheme, on the ground that it works by a contraction of the currency. I understand that one of your objections to the Government scheme is that it is an attempt to force up the sterling value of the rupee by a contraction of the currency?—My objection to the scheme is the absence of convertibility. In all perfect currency systems there is automatic provision made for contraction and expansion.

3887. Under both schemes rupees may be melted, may they not?—Under both schemes, but there is this difference, that I do not rely upon melting rupees for contraction of the currency; I melt rupees in order to replenish the gold reserve.

3888. And under the Government scheme rupees are melted to effect a contraction of the currency?—Yes. And another important point of difference is, that under my scheme only those rupees that actually

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at the time depress the exchange will be withdrawn. Under the Government scheme the rupees that come out of the Treasuries, and that would not affect exchange one way or the other, are to be melted.

3889. The contraction of the currency under the Government scheme would be arbitrary?—Yes, and the wrong rupees will be selected.

3890. Your scheme would depend upon the purchase of sterling bills, and that would be regulated by the state of trade?—Under my scheme I have an automatic process which will make the rupee currency circulate, expand, and contract just as if it consisted of gold coins.

3891. I suppose in the case of any scheme it is a great thing to have the confidence of the people with you?—Certainly.

3892. Whose confidence do you want, the confidence of the bulk of the population, or the confidence of the people who remit money to England?—I do not think the bulk of the population will think about it one way or the other.

3893. Do you think the bulk of the population look upon the rupee at all as a question of sterling value?—No.

3894. They simply look upon it as a silver coin with which they can buy what they want, and pay their taxes?—They take the rupee because they know that a rupee will pay a rupee's worth of debt, and buy a rupee's worth of goods.

3895. At the beginning of your examination you said there was great stringency of the money market both in the North-West Provinces and in the Punjab?—Yes.

3896. A great want of coin?—A great want of coin.

3897. Will you tell me on what ground you say that; what are the facts that lead you to say that?—There was a heavy demand on the bank for coin by the purchasers of produce in the North-West Provinces and the Punjab. They were prepared to pay exceptionally high prices for accommodation there, and, what was very unusual, there were large remittances made of coin by firms dealing in produce from Calcutta and Bombay to the North-West Provinces and the Punjab. As a rule the local supply of currency there for some years past has been sufficient to meet trade requirements, but this last year it was deficient.

3898. Has it been the same as regards Burma?—In Burma there is a deficiency of currency every year.

3899. You always remit coin to your Burma branch?—Yes, wherever there is a great export trade coin has to be remitted for trade purposes. Every year remittances go to Burma for trade purposes, and large remittances go to the jute districts and in good seasons to the cotton districts.

3900. I suppose the Bank of Bengal does not make small advances for the payment of land revenue and rent?—No; what generally happens is this: money is advanced by us to the merchants who purchase the produce, and the money thereby obtained by the cultivators goes in part to pay the Government revenue.

3901. The Government revenue sometimes is collected before the produce is sold?—As a rule after the produce is sold. I believe that is the practice, and it is a very desirable one.

3902. And rent?—And the rent is collected as a rule after the produce is sold, after the first part of the produce is sold, and that is a very desirable arrangement.

3903. The land revenue as a rule is collected after the produce is sold?—Yes.

3904. You think the money goes back to the producers in time?—The money goes back to the circulation when the Government Treasuries make payments or deposit it with the Presidency banks.

3905. You said under your scheme there would be an immediate remedy for the unfavourable balance of trade, namely, the currency would immediately contract?—When I say an immediate remedy, I

mean, it would be applied immediately. Of course the duration would depend upon how serious the redundancy was, but experience shows that an elastic currency system such as I propose can never be long redundant.

3906. It can only work to remedy the balance of trade by its effect on prices?—By its effect on prices and on the money market.

3907. But in order to increase the exports and make them meet the liabilities, it must work on the prices, must it not?—It should operate on the prices of commodities, and on the money market, because if interest rises money is attracted. The import of capital in that way is equivalent to an export of produce so far as exchange is concerned.

3908. But it would act on prices eventually?—It would act on prices eventually.

3909. (*Mr. Le Marchant.*) With regard to those Farrukhabad rupees that you were asked about, did you say that they were coined as ornaments?—This coinage was in circulation in Oudh and that part of the country years ago. I believe there were as much as 6½ crores in circulation about the time of the Mutiny, but it was gradually withdrawn. I am not quite up in the details of the case, but the defence was that the coins were manufactured for use as ornaments. These men were found by the police to be coining these coins, and I suppose the police must have thought it was an indictable offence.

3910. It is so, is it not?—I have not the facts of the case; I expect to have them by the next mail.

3911. I think the law is that it is an offence to coin current or uncurrent coins?—That is my own impression.

3912. But it is not necessary to assume that they were being coined with a view to large active circulation?—It is not necessary; but if, as was alleged, 60,000 of them were coined, it is possible that they were intended for an active circulation; you will have evidence about that later on.

3913. Now, in speaking of the redundancy of the currency, I take it you were speaking of its redundancy at this particular period?—In my opinion there is no redundancy.

3914. But I mean, when you use the term redundancy, you use it with regard to the present circumstances?—With regard to present circumstances.

3915. Assuming that there is redundancy in active seasons, then, *a fortiori*, there will be all the more redundancy in slack seasons?—Certainly.

3916. Was it not the case that in the evidence before the Committee of 1893 statements were made of a very large accumulation at the time of silver and currency notes in the hands of the banks?—There was a very large accumulation in 1891 and 1892, which appears to me in the interval to have been very largely worked off. Towards the close of the busy season of 1893 there appears to have been no great redundancy in the money market. I should like always to distinguish between the money market and the general circulation.

3917. I think you expressed the opinion that if convertibility had been part of the measures adopted in 1893 the currency would have been placed at once on a satisfactory basis. Perhaps I am not quoting your words accurately, but is that your view?—There would of course have been temporary curtailment of trade with China.

3918. I was referring to currency for the moment. Was there evidence of a large excess of currency in banking hands at that moment?—In June 1893 there was no evidence of an excess of currency in banking hands. The Committee had of course the figures before them for 1891 and 1892, when there was an enormous redundancy; but in June 1893 I think that had been worked off. In all probability there would have been a redundancy during the slack season of 1893, because there is always redundancy in slack seasons.

3919. In a certain criticism of your plan the remark is made that, if there is redundancy now, in your plan

there would be contraction of the rupees in the hands of outside remitters.

3950. I still do not follow that. Suppose the Secretary of State goes on selling, and exchange has a tendency to drop below 1s. 3 $\frac{3}{4}$ d., what happens, as you correctly explained, is that he will sell Council bills. The proceeds of the Council bills will come out of the Treasury balances, the Treasury balances will be reduced to that extent by the money which the exchange banks take over from Government; that is to say, the proceeds of these Council bills will be paid into the Indian Gold Standard Office and the banks will receive money from the London Gold Standard Office. To that extent the only contraction that goes on at that time is the contraction of the Government balances in India?—That is clear.

3951. In effect it is the same as if the Government handed in their balance direct to the conversion office?—Certainly, only there is this: that if you leave this thing open it becomes a question with the exchange bank in Calcutta or Bombay, “Shall I remit that money to London or shall I not?” I like these things left open to the market. But the special point I want to bring out is this: that the difference between this policy and that of 1893 is that at the same time as these operations are going on there is also contraction going on, in all probability, in the outside market, because, if the tendency of exchange is to fall below 1s. 3 $\frac{3}{4}$ d., there will be other remitters at the same time taking advantage of that machinery, and the currency will be curtailed to the extent that is absolutely necessary, which was not done under the policy of 1893.

3952. The difference is this: that if in 1893 the increases of balances had been set aside, and ear-marked as a separate fund?—If they had been locked up and it had been announced that they would not be put again in circulation until exchange rose to 1s. 4 $\frac{1}{16}$ d., then so far the cases would have been analogous; but in addition to that (and this is the important part of it) other rupees in the hands of remitters that are redundant, that would be left under the 1893 policy still further to depress exchange, are under this scheme taken out of circulation. In the case we are assuming, the rupees that the Government paid out will go direct to the Gold Standard Office, but other rupees also will be withdrawn from circulation and go direct to the Gold Standard Office if exchange shows a tendency to drop below 1s. 3 $\frac{3}{4}$ d. I think always, when you are in a difficulty of this kind, the thing is to think of what would occur under a gold currency system. Comparing what occurred in 1893 with what would have occurred under a gold currency system, the difference is this: even suppose that in 1893 the rupees representing unsold Council drafts had been withdrawn from circulation and locked up until they could be sold at 1s. 4 $\frac{1}{16}$ d., even supposing that, under a gold currency system, the Secretary of State would go on selling drafts below 1s. 3 $\frac{3}{4}$ d., the exchange banks would buy these drafts; they would take them out to India, and finding exchange with the tendency to drop below 1s. 3 $\frac{3}{4}$ d., what would they do?

3953. (*Mr. Campbell.*) But why could not the Council do that itself?—The Council might do it, but I have put this in the interests of the exchange banks.

3954. But why should not the Council do it instead of the exchange banks making a profit?—There is no reason why they should not, if you approve of Government interfering with the exchange market. The position is this: if Government goes on selling these drafts the exchange banks get the rupees, and when they get the rupees in their hands it is a question with them, “Shall we buy the Treasury drafts or employ the money in India?” If the Secretary of State refuses to sell, that option is not left in the hands of the exchange banks. But still, as a matter of principle—unimportant principle though it may be—I desire to leave that in the hands of the exchange banks. As I pointed out, however, in my pamphlet,

the Government in that case, as you rightly say, will suffer a loss which they need not suffer; there is no special reason why they should suffer it; it is simply a question of policy—is it desirable that the Government should incur a small loss for the satisfaction of leaving these operations in the hands of the exchange banks?

3955. (*Sir C. Crosthwaite.*) I was going to ask, would not the result be the same if the Secretary of State said, “I will not draw.” He would only transfer his ordinary cash balances into the gold reserve?—There is no important objection to the Secretary of State remitting through the Gold Standard Office when a better rate is unobtainable outside. That is what the Madras Chamber of Commerce proposed. Of course, in the face of all these authorities, I do not want to say much against it, but it is a matter of principle—unimportant, but still a matter of principle—that the exchange banks should have the option of employing these rupees in India.

3956. (*Mr. Le Marchant.*) I was rather assuming that you raised an objection in principle to the sale of Council bills, but you thought that this would have advantages?—Yes.

3957. So far as the sterling fund on this side goes, the only distinction I can follow between suspending Council bills and continuing in the way you describe is that in the case of suspension the sterling borrowing has to be made when the home charges have to be met. In your case it would have been previously necessary to set up the sterling conversion fund or to replenish it?—Only if the sterling conversion fund were exhausted.

3958. You, I presume, set up the sterling conversion fund by borrowing. That affords a fund which can be used for the particular operation you have been describing of selling Council bills to the exchange banks, who in turn obtain drafts on the sterling conversion fund. The distinction between that and suspending the sale of Council bills so far as London is concerned is, that when the sale of Council bills is suspended, sterling borrowing has to take place then and there, instead of having taken place previously for setting up the conversion fund. I am asking whether you would agree that this is the distinction?—Do I understand that you are drawing a comparison between a system of merely suspending Council bills and my system?

3959. Yes?—Oh, there is a very important difference.

3960. Not with regard to the sterling side in London. It appears to me that you thereby use up your sterling conversion fund which you have raised before?—Yes, but why should the Secretary of State borrow before that fund is exhausted, and he need not sell Council bills at 1s. 3 $\frac{3}{4}$ d. until the money is actually required.

3961. Do you view one of the purposes of contraction, that is to say, of the public paying the rupees into the conversion office in India, as being a reduction of rupee prices of products in India?—The more immediate effect of any contraction of that kind is on the money market, which attracts capital, and thereby tends to rectify the adverse balance of indebtedness, and it also ought to operate through prices, but I think, as a general rule, it is through the money market that contraction of the currency more immediately affects the balance of indebtedness. Both prices and the money market, are affected and the more immediate effect is through the money market by attracting capital.

3962. Capital in a money form?—Not necessarily in a money form. It depends upon the rate of exchange, if the rate of exchange is high—1s. 4 $\frac{1}{16}$ d.—and there are no rupees in the Indian Gold Standard Office, fresh money would be required.

3963. That is to say, the remitter of capital would buy the command of the rupees?—He would buy the command of the rupees; if the rate were less than 1s. 4 $\frac{1}{16}$ d. fresh currency would not be required.

3964. Then exchange would be in those circumstances worked up from the minimum (we are assuming

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that it has fallen to 1s. 3½d.), and the effect of this would be to work up gradually to 1s. 4½d. by getting at the rupees in India?—Certainly, the demand for remittance of capital to India would have the same effect on exchange as an export of Indian produce.

3965. You do not think a more rapid effect would be caused by diverting the demand for sterling remittance to drafts on the conversion fund, thereby making bills against exports relatively more plentiful in the market, so that the sellers of bills would come in on terms more favourable to the persons wishing to remit. Suppose a certain amount of sterling remittance is provided by drafts on this conversion fund?—By the sales of commercial sterling drafts?

3966. I am assuming that people want to remit from India to England. Under your plan the Government offers them remittance in a certain way; that draws off demand to that particular source of supply, and thereby leaves in the markets bills against exports?—There will be a greater demand for bills against exports.

3967. I mean the reverse, a larger supply of sterling bills relatively to the demand?—Yes, that is so.

3968. That would cheapen sterling in terms of rupees?—That would raise exchange.

3969. And in turn, export bills would be more available, being relatively cheaper than they would otherwise have been, and would in turn become available for persons willing to remit?—Yes.

3970. How would that act on prices of exports?—Of course a rise in exchange is always supposed to stimulate imports and curtail exports temporarily.

3971. I was asking how far Government offering sterling at 1s. 3½d. would indirectly affect the price of exports?—It would put a stop to the drop in exchange below that rate; that is, supposing we start with an unfavourable balance of indebtedness. There are two remedies for that. There is the old-fashioned remedy of a drop in exchange, which I admit tends to enhance exports and curtail imports temporarily, that is a faulty system; all economists say that the orthodox remedy is a curtailment of the money in the exchange market.

3972. Do you think that the system of offering exchange at a fixed rate operating in the way you describe on money in the market, and therefore on discount rates, would affect the rupee prices of exports?—It always has done. It does so in all countries, why should it not do so in India?

3973. I am asking your opinion—in the direction I mean of lowering prices?—In the direction of lowering prices, if necessary. Under a convertible system prices of commodities cannot move exchange beyond specie export and import points, when these are reached prices are governed by exchange.

3974. Your system, as I understand it, is to concentrate all the supply and demand of this form of gold remittance in the hands of the Government?—What my scheme does is this: when under a gold currency gold coins would be exported or imported, then under my scheme gold drafts or rupee drafts will be sold.

3975. Through the Government?—Through this machinery, which is purely automatic as far as Government are concerned; Government have no discretion in the matter. I wish to make that thoroughly clear.

3976. But it would be through this particular agency. I was endeavouring to contrast it with the Government scheme, where if gold flowed in through the action of the public, it appeared to be assumed that gold would equally flow out through the action of the public without the operation passing through a Government agency. It appeared to me that as your scheme in one sense was economical, in the sense of only using gold or silver for exchange purposes, to that extent it concentrated the demand for that exchange currency on this agency?—Yes, when specie export or import points are reached the movement is stopped by concentration of the demand for remittance on the Gold Standard Offices,

3977. It would concentrate it?—Yes.

3978. Do you think that, if the balance of remittance requirements were adverse, your plan would have the effect of drawing attention to the fact? The whole immediate demand would be concentrated on the fund from the first, and in that way would show itself in the depletion of the fund?—I think myself that that is an advantage. Were India to go to the expence of establishing an ample gold currency such as England possesses, then of course there would be as complete confidence, and things would work equally as well as under my system; but the expence would be enormous, and if you had instead of that a small gold circulation, liable to be drained away into the internal circulation and hoards, little would be left for export, and whenever exchange showed a tendency to drop, there would be a rush on the part of banks, bullion dealers, and money changers, to secure all available, knowing that if exchange dropped below 1s. 3½d. the price of those coins would rise. I think any danger of that kind is much less under my scheme than under a gold currency scheme.

3979. (Sir J. Muir.) You say the expence would be enormous; what would you call it roughly?—We have had various estimates. One estimate that has been laid, I think, before the Chamber of Commerce of Calcutta was 80 millions sterling.

3980. (Sir F. Mowatt.) That is practically the amount of the currency?—It is the amount of the currency apart from hoards and apart from small coins. That is not my estimate. I do not think myself that it would require nearly so much as that.

3981. (Sir J. Muir.) Whose estimate is that?—I cannot say. I am told it is being put before the Bengal Chamber of Commerce. I would rather not go into that.

3982. (Mr. Le Marchant.) You are not at all apprehensive that the concentration of this demand on the Government fund, and the attention that would be drawn to the degree to which it may be depleted at certain times would in itself be a reason for apprehension as to the future?—I think not. Take the case of Russia, with a small gold circulation and large concentration of gold in the hands of the banks of Russia. I think that system provides much better for meeting an unfavourable balance of indebtedness than a system in which the gold is all circulating in the pockets of the people, and would not be get-at-able during a time of unfavourable balance of indebtedness.

3983. There is a passage in the report of the Finance Minister, alluded to by Sir David Barbour, in which he expresses the opinion that gold ought to be put in the hands of the public with the view of not concentrating the demand?—I do not think that that would meet with Sir David Barbour's approval.

(Sir D. Barbour.) The report was alluded to by me, but I have expressed no opinion about the expediency of forcing gold into circulation.

(Witness.) I approve much more highly of the Dutch system, which provides for readily meeting all demands for the export of gold.

3984. (Mr. Le Marchant.) Through the bank?—Through the bank.

3985. Do you look in the long run to the material conditions as eventually determining exchange?—The balance of indebtedness must always rule exchange.

3986. Through prices?—Through prices, which of course rule the balance of indebtedness, and are ruled by exchange under any convertible system.

3987. And you would wish to bring those prices into the most direct relation to the prices in sterling countries?—Certainly.

3988. So that exchange would right itself with the least possible difficulty?—Exchange would right itself, and the balance of indebtedness would be adjusted with the least possible difficulty.

3989. There was something said about absorption of rupees in Burma; it was said that they did not return to the banks in the same quantity as from other

parts of India?—Of late years they have been returning to a larger extent, but still there appears to be absorption in Burma every year.

3990. Is it the case that the rupees are used for paying the wages of the coolies who go from Madras to Burma in the rice season, and who return with their wages to India, so that the rupees come back indirectly in that form?—Certainly I should think that a certain number of these rupees are taken away by the Madras labourers every year. That is one of the forms of absorption.

3991. But they return indirectly?—I suppose in the long run part of them will return. The natural manner of their returning to circulation will be in payment for imports.

3992. But it would merely be a form of circulation, they would not come directly back to the banks?—What we find is this, that wherever there is a large export demand largely in excess of the import demand, in that part of the country there is a greater absorption of coin. For instance, take the Central Provinces, which have of late suffered year after year from bad crops. Our experience is that there is no absorption of coin there, rather the opposite. The same with the North-West Provinces. The North-West has suffered more or less from bad harvests until the present year, and there has been until this last year comparatively little absorption of coin there. On the other hand, in Burma, which has been a flourishing province with a large export, there has been a great absorption of coin. In the same way with the jute producing districts of Bengal and with the cotton industry of Bombay. A good cotton season means a great absorption of coin. A large export trade compared with the import trade leads to a great absorption.

3993. By absorption you mean that the coins remain there?—The coinage is taken out of the market. Of course it may come back eventually; no one can trace coin in that way, but we know that it is absorbed, it does not come back directly.

3994. (*Sir C. Crosthwaite*.) With regard to the coolies, the police and others from India who serve in Burma, most of their savings are remitted by postal orders?—To a large extent, but with a population of that kind, a migratory population, just going there for the harvest season and coming back, they would bring some rupees back with them I should think.

3995. (*Mr. Le Marchant*.) If a large sterling fund is accumulated in London, which, I think, under favourable circumstances, you look upon as possible, do you look forward to eventually moving on to a gold currency basis?—I agree with Ricardo that a currency on this basis is the best possible currency system. If, as I believe, it will be found to work well in India, I look forward to its being adopted in other countries, especially in those countries that have a heavy gold debt and a falling sterling exchange. Countries that experience difficulty in maintaining a gold circulation may also give up the use of gold coins. I agree with Professor Marshall that the currency in the future will be on Ricardo's system. As I regard Professor Marshall as a very high authority I should like permission to quote his words from page 110 of my pamphlet:—"I believe that the world will ultimately have an international paper currency on Ricardo's model based on gold and silver, thus reaching a true bimetalism and not the alternate mono-metallism which alone seems attainable now, but I do not expect the change to come in my lifetime nor even soon after its end."

3996. (*Sir C. Crosthwaite*.) There would be difficulty in putting the reserve in London for the whole world?—Then of course countries that have not that advantage must go back to Ricardo's system of gold bars. Having the conversion fund in London is in my opinion the most convenient and economical method of adopting the principle, and it could be carried out by all our colonies.

3997. (*Mr. Le Marchant*.) I am on the point of the accumulation of money. You do not consider

that taking 60 per cent. of that sterling fund, so far as paid in by the public, and with that purchasing silver and coining rupees, would be a disadvantage, looking forward over a long period of time?—It would be a decided advantage. There is a profit to India now, and later on, when India learns to use paper money, the profit will be greater.

3998. You are contemplating notes instead of gold?—Eventually, as India becomes more civilized she will go on to a note stage.

3999. Notes being issued against a gold payment in London?—A gold payment in London, under the present Gold Note Act would answer, provided the notes were made convertible into sterling drafts on London.

4000. (*Sir D. Barbour*.) It has been suggested to me that you might like to state briefly your reasons for placing the reserve in London rather than in India?—I have already said that it is in my opinion very desirable in a country such as India, where the people are very conservative in their habits, that no change should be made in the circulating medium if possible.

4001. But the question refers merely to the location of the reserve?—I have given my reasons at page 7 of the pamphlet: "(1.) The gold will be required only for settlement of the balances of India's foreign indebtedness, and, as London is the one great centre for settlement of international indebtedness, it will be the most convenient spot both for receipt and payment of the gold. (2.) There must be more or less uncertainty as to the quantity of gold or sterling money required as a conversion fund, and gold or sterling money can always be borrowed in London at short notice, whereas there would be no facilities for prompt replenishment in India. (3.) The replenishment of the fund in India would withdraw gold from London, whereas its location in the Bank of England would strengthen the great central reserve of the Empire. (4.) India is a hoarding country, and if her currency is made convertible on the spot into gold bars, and these bars are always exchangeable on the spot into currency, there is a danger that the gold bars will be absorbed into hoards and kept there, instead of rupees bearing extrinsic value. (5.) The location of the reserve in India might create a monetary crisis under exceptional circumstances. Although London can obtain gold in a few days' time, both from Paris and Berlin, yet a monetary crisis occurs there now and then, because the gold is not obtainable promptly. India is protected, as a rule, from these crises by the system of Council wire transfers; but these are not always available, and looking to the great distance between London and India, the issue of fresh currency should not be delayed until gold can be imported. (6.) Under ordinary circumstances (*i.e.*, except during or shortly after periods of redundancy) the gold paid by the public into the conversion fund will be for the purchase of new rupees, and part of the gold will, therefore, be used by the Government in the purchase of silver for the Mint. As silver can best be bought in London, it is desirable that Government should receive the gold there. If the gold is received in India, and the silver bought there, not only will Government have to buy in a small and unreliable market, but two metals will be sent to India when one only, *viz.*, silver, is wanted. (7.) The object of the scheme is to prevent the use of gold as currency in India, and to confine its use in connexion with the Indian currency to the settlement of the balances of India's foreign indebtedness, and it is pure waste of time and money to bring gold out to India merely for the purpose of having it sent back."

4002. You said that it would be possible to start at a lower rate than 1s. 4d. and rise to 1s. 4d. How would you propose to do that? Assuming that we start at 1s. 2d., what rates would you fix for the bills?—In a matter of that kind I would not be disposed to follow the precedent of 1819, because if you announce

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beforehand when and to what extent you will make a rise you immediately invite speculation.

4003. But supposing we were to begin at 1s. 2d. what rates would you fix?—I would make the difference the same—2 per cent. The rupee currency might be convertible into sterling at 1s. 2d., and sterling into rupees at 1s. 2½d.

4004. And then when you made the change it would mean a complete alteration of the rates?—Government must be given discretion when to raise the rates. Every precaution must be taken to avoid speculation.

4005. There was a remark made which seemed to indicate that it was thought that a remittance of capital to India necessarily involved an addition to the Indian currency. Do you hold that view?—Oh no, certainly not; it is simply a question of the rate of exchange at the time.

4006. It does not necessarily involve an addition to the Indian currency?—Not necessarily.

4007. If I wished to send money to India I might buy piece goods (putting aside the banks altogether) in this country with my money; I might send them to India; sell them to the people of India, and, if I liked, place my money in an Indian bank in Calcutta, and in this way add to the supply of banking capital, although there was no addition to the total currency circulating in the country?—Certainly.

4008. Your scheme in the last resource depends on contraction of the currency?—All schemes do.

4009. I am not raising an objection, but it is so?—Yes.

4010. But you hold that the available balance at the banks for remittance to this country is so small that a comparatively small purchase of these 1s. 3¾d. bills would so contract the currency as to redress the exchange?—Yes.

4011. Comparatively small?—Comparatively small.

4012. If from any cause, or series of causes, money should flow from the circulation outside the banks into the banks and be remitted home, then that contraction would not immediately affect the balance at the banks?—That contraction would not suffice, further contraction would be necessary.

4013. I think you hold that money is not likely to come in in that way?—Not to any inconvenient extent.

4014. Suppose the Secretary of State instead of drawing bills for 17 millions sterling yearly, had to draw bills for 27 millions sterling—an addition of 10 millions sterling (I am putting an hypothetical case)—he would have to raise additional revenue in India, in order to meet these drawings, to the extent of 15 crores of rupees yearly?—Yes.

4015. He would raise that from the general population?—Yes.

4016. He would not withdraw money from the banks for that purpose?—When money is raised in that way it is raised at the time when the crops are sold. There must necessarily be a great connection between the payment of revenue —

4017. But the capital in the banks goes out and comes back again?—It comes back again, but we always find that at the time the Government balances run up the bank balances run down.

4018. But the Secretary of State would not take away money from anybody except the general popu-

lation?—I cannot conceive the Secretary of State taking 12 crores from the pockets of the people without that affecting the balances at the banks.

4019. But it might not do so immediately?—It might not to the full extent.

4020. He might in this way draw from the country a certain amount of money which would not come out of the presidency banks?—He might.

4021. You admit that in the distressed parts of the country rupees rather tend to come out than to flow in?—Yes.

4022. The Secretary of State, through the Government of India, might raise that money in the provinces, and banks who bought his bills would get those rupees in India from the Government of India?—Yes.

4023. That would be an addition to what they had before?—Yes.

4024. And they might remit that money home?—Certainly.

4025. I am not putting this forward as very likely to occur, but as what might occur. Money might flow into the banks in Calcutta and be remitted home without completely, or to the full extent, reducing the balance of the banks?—Yes. I think the explanation of what would happen in a case of that kind is clearly given at page 13 of my pamphlet, where I make an extract from Mill's Political Economy. "Commerce being in a state of equilibrium when the obligatory remittances begin, the first remittance is necessarily made in money. This lowers prices in the remitting country and raises them in the receiving. The natural effect is that more commodities are exported than before, fewer imported. When the debt thus annually due (for goods) to the tributary country becomes equal to the annual tribute or other regular payment due from it, no further transmission of money takes place; the equilibrium of exports and imports will no longer exist, but that of payments will, the exchange will be at par, the two debts will be set off against one another, and the tribute or remittance will be virtually paid in goods."

4026. I entirely agree with that, but the point I wanted to bring out was this, that it was conceivable that under certain circumstances money might be found for the purchase of bills at 1s. 3¾d. which was not drawn from the balance of the presidency banks. You think that is not likely to occur?—That is not likely to occur to an inconvenient extent.

4027. But it is a conceivable case?—It is a conceivable case, and it would occur precisely in the same way under a gold currency.

4028. Under your system, what would take place would be the same as what would take place if both countries had an actual gold currency?—Yes.

4029. But you know that under certain circumstances the export of gold from one country to another may be so severe as to bring on a financial crisis and cause a general fall of prices?—As far as my experience goes such remittances are never of very large extent. I quoted the opinion of several authorities to that effect yesterday.

4030. You think that no case has occurred where remittances of gold from a country have been so severe as to bring on a commercial and financial crisis?—Not when the currency was readily obtainable against gold, and convertible into gold.

[The witness withdrew.]

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Mr. ALEXANDER MARTIN LINDSAY recalled and further examined (5th July 1898).

4031. (*Chairman.*) Before we ask you any further questions, I should just like to see that the Committee, or at all events that I myself, perfectly understand your plan. I propose now to state to you what I think it is, and then you will see if I have got it right. I understand your plan to be, that the Indian Government should in the first place raise a sterling loan in London of from 5,000,000*l.* to 10,000,000*l.*?—Yes.

4032. That the produce of that sterling loan should be deposited either in the India Office or the Bank

of England?—In the Bank of England, as a current account, I suggested.

4033. And the produce of that loan you would call the gold standard reserve?—Yes.

4034. Your next proposal is that the London Gold Standard Office—that would be a department of the Finance Department of the India Office—should have control of this fund?—Yes, the work might be done by the office that takes charge of the sale of Council bills here.

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4035. That this Gold Standard Office should be obliged to sell to all applicants rupee drafts payable in India for sums of 15,000 rupees and upwards in exchange for gold, to be paid in London at the rate of 1s. 4½d. per rupee?—Yes.

4036. Then that these drafts should be drawn on two offices in India, either on the Indian Mints or on the Calcutta and Bombay Presidency Paper Currency Offices?—Yes.

4037. These offices would be called the Indian Gold Standard Offices?—Yes.

4038. Then these drafts are to be made payable on demand in India. You then propose that the Indian Gold Standard Office in India should be prepared to sell to all applicants sterling drafts on a London Gold Standard Office, payable on demand, in sums of 1,000l. and upwards in gold, in exchange for rupees, at the rate of 1s. 3¾d.?—Yes. May I add, that in order to ensure payment of the rupee drafts on demand or by telegram when necessary, the Paper Currency Department should be authorised to issue notes to the Indian Gold Standard Office against gold in London or silver bullion in transit to India, under provisions similar to those of the Gold Note Act of 1898. The Gold Standard Office will receive 1s. 4½d. per rupee, and will buy silver bullion to replace the rupees taken from the Paper Currency Department.

4039. Those are the exchange points; London, 1s. 4½d., Calcutta, 1s. 3¾d.?—Yes.

4040. Now, all the rupees which are received by the Indian Gold Standard Office are to be held exclusively to meet the rupee drafts drawn by the London Gold Standard Office?—Yes.

4041. And all gold received under the notification of the Indian Government as to the 1s. 4d. rate, is also to be sent to the London Gold Standard Office?—Yes.

4042. If the gold standard reserve decreases at any time to what you call apprehension point (that is, I suppose, what we should call danger point), if it showed a likelihood of becoming exhausted, you would infer from that that the rupee currency was redundant?—Yes.

4043. In other words, that there were too many rupees in circulation?—Too many rupees in the exchange market.

4044. And then you think it would be the duty of Government to interfere, to curtail the currency?—I did use those words, but I think it would be better to put it in this way; that before borrowing further to replenish the London Gold Standard fund, Government should obtain gold by selling some of those surplus rupees held in India in the Indian Gold Standard Offices.

4045. In fact, when the danger point was approached, Government would have to do one of two things, either to raise a fresh gold loan, or to reduce the rupee currency?—Yes, to reduce the surplus rupees previously withdrawn from circulation.

4046. Then it is also a part of your scheme that it should be started in the early part of the export season?—That is simply a question of expense.

4047. But you say there is an advantage in starting it then?—For example, take this season; if it had been started in February, not a single sovereign would have been taken out of the London Gold Standard Office.

4048. Not this year, you mean, on account of the famine?—Yes; on account of the demand for rupees during the busy season. It could be started at any time of the year; but if you start it in the slack season there will, of course, be a greater demand for the conversion of rupees into sterling drafts.

4049. That is a matter of detail?—Yes.

4050. Then you also think that the effect of this procedure would not affect the sale of Council Bills?—No. It would facilitate the sale of Council Bills.

4051. You would proceed as at present, except that their price would practically be regulated by the price at the Gold Standard Office?—Yes.

4052. To sum it up in one word, the essential principle of your scheme is that the sterling and rupee currencies should be interchangeable at approximate rates, and that the rupee currency should be made convertible into sterling money in a manner which would prevent the use of gold as currency in India?—Yes.

4053. I am coming to the objections to your scheme presently, but, to have it fully before us, you are opposed to the plan of the Government of India upon the ground that you object to a gold currency in India?—I object to a gold currency in India. Shall I give my reasons now?

4054. No, I will come to that presently. That is your main objection. You object to a gold currency in India?—I object to a gold currency in India.

4055. Now, just let me take you through the criticisms of Sir James Westland upon your scheme. I want to see what your answer is to the criticisms of the Finance Minister in India. The first objection Sir James Westland raises is this: He would prefer that the gold standard office, that is the deposit of gold, should be located in India; you prefer that it should be located in London?—I do.

4056. Now, will you tell us the reasons why you think that your plan is a better plan than Sir James Westland's on that point. I think Sir James Westland and yourself are agreed that in discussing the question it is immaterial whether the fund is held either in England or in India. The question of locality would not affect the working of the scheme. The Government of India seem to be of opinion that it is desirable for other reasons that it should be located in India, and not in London. Now, what is your reason for London?—In the first place I would say that the gold is really required only for settlement of the balances of India's foreign indebtedness, and as London is the one great centre for settlement of international indebtedness, it would be the most convenient spot both for receipt and payment of the gold. Secondly, there must be more or less uncertainty as to the quantity of gold or sterling money required as a conversion fund, and gold or sterling money can always be borrowed in London at short notice, whereas there would be no facilities for prompt replenishment in India. Thirdly, the establishment of the fund in India would withdraw gold from London, whereas its location in the Bank of England would strengthen the great central reserve of the Empire. Fourthly, India is a hoarding country, and if her currency is made convertible on the spot into gold coins, or even into gold bars, and these bars are always exchangeable on the spot into currency, there is a danger that the gold bars and coins will be absorbed into hoards and kept there, instead of rupees bearing extrinsic value. Fifthly, the location of the reserve in India might create a monetary crisis under exceptional circumstances. Although London can obtain gold in a few days' time, both from Paris and Berlin, yet a monetary crisis occurs here now and then, because the gold is not obtainable promptly. India is protected as a rule from these crises by the system of Council wire transfers; but these are not always available, and, looking to the great distance between London and India, the issue of fresh currency should not be delayed until gold can be imported. Sixthly, under ordinary circumstances (*i.e.*, except during or shortly after periods of redundancy), the gold paid by the public into the conversion fund will be for the purchase of new rupees, and part of the gold will, therefore, be used by Government in the purchase of silver for the Mint. As silver can best be bought in London, it is desirable that Government should receive the gold there. If the gold is received in India, and the silver bought there, not only will Government have to buy in a small and unreliable market, but two metals will be sent to India when one only, *viz.*, silver, is wanted. Seventhly, the object of the scheme is to prevent the use of gold as currency in India, and to confine its use in connexion

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with the Indian currency to the settlement of the balances of India's foreign indebtedness; and it is pure waste of time and money to bring gold out to India merely for the purpose of having it sent back. Eighthly, and lastly, when England arranged in 1819 to make her currency convertible into gold without the use of gold coins, she had no outside central market in which to deposit her gold conversion fund with safety, and she had, therefore, to adopt the somewhat clumsy plan of making her currency convertible on the spot into gold bars that could not be used in the local circulation; but when Scotland had the same object in view, she naturally made her currency convertible into drafts on London, and located there her gold conversion fund; and when a similar economical measure was contemplated in Ireland in 1804, Pitt, Fox, Canning, and the other members of the Parliamentary Committee, recommended that the conversion fund should be located in London, and the local currency made convertible into drafts on that fund.

4057. What is your answer to Sir James Westland's observation, that "a gold reserve intended to support the introduction and maintenance of a gold standard in any country ought to be kept in the country, if it is to produce its full effect in the way of establishing the confidence which is almost indispensable to the success of the measure." He adds that, "if the Indian gold reserve is located in London, and the public believe that it may at any time vanish in supplying the requirements of trade or of the Secretary of State, confidence will hardly be established, and, in any case, it seems certain that a reserve of any named amount will produce a greater effect if it is located in India than if it is 6,000 miles away." What is your answer to that?—My answer, in the first place, with regard to the distrust is this. It is only people who send out capital to India that are concerned in this matter; the people who work with local capital in India will be very much in the same position as they are at present. The token rupees are all they want. It is those who send out capital to India that should be inspired with confidence, and these people will, in my opinion, have greater confidence if the gold is here in London. Then, with regard to the gold vanishing in supplying the requirements of trade or of the Secretary of State, I would say that there is much greater danger that the gold that Sir James Westland proposes to introduce into circulation in India may vanish, because in addition to supplying the requirements of foreign remittance and the Secretary of State's drafts, the gold would be liable to be used in internal circulation, and to be taken into hoards. Here the gold is reserved for one of the three purposes for which gold is required in connexion with currency. It will be used solely for the purpose of fixing exchange, and will, therefore, be employed in the manner best calculated to inspire confidence in the stability of exchange.

4058. Then his next objection is as to the contraction of the rupee currency. There he considers that the methods and proposals of your scheme do not vary much from his own; but he says "But it is merely an assumption that the difference between the number of existing rupees and the number at which the exchange would rise to 1s. 3½d. is so small that the absorption of five millions or 10 millions' worth would be enough to bring about the result. It assuredly would not have been enough had the scheme been introduced in 1893. It may be enough now that the volume and activity of trade have increased so much above the standard of 1893; but, on the other hand, it may not. The scheme, therefore, would involve the undertaking of an indefinite liability."—In the first place, as to the method and principle of the scheme being very much the same as those on which the Government of India's proposals are based, I cannot for a moment admit that. I think they are as different as day and night. In the one case you have arbitrary contraction and inconvertibility, which are diametrically opposed

as principles to automatic contraction and convertibility. As far as method goes, my scheme withdraws from circulation rupees from the hands of remitters only, and takes hold of those that would otherwise depress exchange below the convertible rate; whereas the Government scheme destroys those rupees lying in the Treasury balance, which do not affect exchange in the least.

4059. I do not want you to criticise now the Government scheme. I want you, first, to deal with your own scheme. Sir James Westland says of your scheme: "the scheme, therefore, would involve the undertaking of an indefinite liability." I want your answer to that. Of course that would indirectly raise the whole question of exchanging the hoards of rupees in India for gold. You have no limits to the remittance of rupees in exchange for gold, or to the remittance of gold in exchange for rupees?—I say the same indefiniteness attaches to the Government scheme. I will put it in this way. The so-called indefinite liability is limited to the conversion and withdrawal of only those rupees that automatic machinery shows must be withdrawn to prevent exchange falling below 1s. 3½d. Under my scheme all expansions of the currency yield handsome profit. It is contraction only that entails expense, and that contraction is limited. Besides, this loss will be recovered in whole or part when the redundancy ends and fresh currency is required. Now, may I not compare that with the Government scheme? I was going on to say, that the Government plan necessitates the withdrawal and conversion of an equal number of rupees, and in addition an amount of rupees equivalent to the gold coins introduced into circulation or into the Government balance.

4060. Is not that saying, in other words, that both schemes do involve an indefinite liability?—Of course it cannot be an indefinite liability. In the first place, there is a certain amount of rupees in circulation; it must be limited by that. Then, in the second place, the liability under my scheme is limited to the amount of the rupees in the exchange market that can be spared from the exchange market, which I think cannot be characterised as an indefinite liability. There is no such limit under the Government plan, because gold coins will displace rupees in hoards and the internal circulation.

4061. Then Sir James Westland says that your plan "assumes that the redundancy has already been removed, and that the circulation has reached the stage in which, at the season when trade is inactive, the rupee tends to fall below 1s. 3½d., and at the season when it is active it tends to rise above 1s. 4d."?—My plan does not assume that. My plan includes the most economical method of curtailing the currency—an automatic method which will only take away those rupees which are lowering exchange. That is the great economy of my plan.

4062. Then Sir James Westland says that your scheme "accordingly becomes practicable only when the condition of the circulation has already reached the point where the redundancy in the inactive season is reduced to a small amount." That you do not agree with?—When I started my plan in 1892 I put it in this way. My proposal then was not to start with convertibility at 1s. 4d., not because Government would lose by maintaining that rate, but because it would disturb trade. My proposal then was to commence convertibility at the current rate of exchange, or thereabouts, and to rise by gradual steps, in a way that would not create speculation, to the par rate, whichever par rate was selected. I say now that, if it is the opinion of the Government of India that convertibility at 1s. 4d. would be too costly, rather than dispense with convertibility let them start convertibility at a lower rate.

4063. Then the Government lay stress upon another point, namely, the Government control, to which they attach great importance, and which would be wanting in your scheme?—It is difficult to under-

stand that objection, because, while Sir James Westland, in paragraph 8 of his Minute, advocates Government control of contraction, he deprecates, in paragraph 10, Government control of expansion. He is, moreover, under a misapprehension in supposing that Government will have any control of the volume of the currency under my scheme.

4064. If I may say so, your point is that your scheme is automatic without the intervention of the Government?—Without the intervention of the Government in any shape or form.

4065. We had evidence before us, and I suppose you would concur in that, that is a desirable result to obtain, that there should be as little intervention as possible?—Certainly.

4066. Sir James Westland appears to attach great importance to intervention. He says, "There is also an important feature which does not seem to have been sufficiently considered. It is that the plan we have to adopt will not be applied to a market in which the Government (who are the proprietors and workers of the conversion fund) can afford to stand aside and let the operations go on only as between public and public. On the contrary, the problem to be faced is how to maintain the exchange value in the face of the Secretary of State's drawings of 16 or 17 millions a year." Now, if I take you aright, you say that the proper course is to disregard the Government position altogether; let the operation be exclusively automatic upon the demand and supply for exchange purposes for the whole trade of India?—Yes.

4067. Now another objection is taken, that your plan is not adapted to the preliminary stage of establishing a gold standard. Will you tell us what was the plan adopted by Sir Robert Peel in 1819 to establish a gold standard? You say, "Sir James Westland says that my plan is not adapted to the preliminary stage of establishing a gold standard. Is he aware that the plan is the same in principle, and, apart from unimportant details, the same in method as that devised by Ricardo, and adopted by Sir Robert Peel in 1819, in order to pave the way for the resumption of cash payments in 1823?" Then you go on to give this extract from the Report of the Parliamentary Committee that recommended the establishment in England, on a temporary footing, of a gold standard without a gold currency. "The chief recommendation of the plan, in the opinion of the Committee is, that it will enable the Bank to pay their notes in gold at a much earlier period than they could pay them in the present gold currency. There cannot, while the plan is acted upon, be any demand for gold for the purpose of internal circulation, and whatever quantity it would be necessary to provide, with the view of replacing the small notes at present in circulation, may therefore be dispensed with. That portion of capital which must otherwise be applied to the purchase of an expensive and unproductive instrument of commerce will be left available for the employment of productive labour." Now do you consider that that quotation from Sir Robert Peel, and from that Report of the Parliamentary Committee, are, in your judgment, an answer to Sir James Westland's observation that the plan is not adapted to the preliminary stage of establishing a gold standard?—I do.

4068. In fact, it was adopted both on the advice of Sir Robert Peel and on the recommendation of this Parliamentary Committee?—Certainly. It was adopted for a period of three or four years as a stepping stone to a gold currency.

4069. Is there any other remark you want to make now, in reply to Sir James Westland, before I come to the Government scheme?—I think I have met all his objections.

4070. Now, I will ask you to criticise the Government of India's scheme upon which, I think, you have given no evidence at present. First of all, what do you consider the weakest part, if I may use the phrase, of the proposals of the Government of India?

—The weakest point is, perhaps, the admission in paragraph 23, "That it is assumed throughout that the balance of trade will continue favourable;" but the great mistake underlying the Government plan, and all other proposals to establish a gold currency in India, without borrowing, in the first place, a large stock of gold, lies, it appears to me, in under-estimating the demand for gold likely to arise for hoarding and for use in the internal circulation. The Government proposals are based on the idea that the gold coins which they hope to force the exchange banks by monetary pressure to import, will remain as a margin of circulation available for export at any time. No reasons are given for this assumption, and, so far as the public know, no attempt has been made to obtain the opinion of those best able to judge. The point is a most important one, and I submit that the Committee should have been furnished with reasons and evidence in support of this conclusion, especially as it is opposed to the opinions expressed by the leading Chambers of Commerce and papers in India, and also to the evidence taken by the last Commission that dealt with the question.

4071. To what Commission do you refer?—I refer to the Commission appointed by the Government of India in February 1866 to obtain information regarding the operations of the Paper Currency Act of 1861, and the advantages of introducing a legal tender gold coinage into India.

4072. You said that great financial and commercial authorities in India are opposed to the Government proposals?—That is so.

4073. Do you know what is the view of the Madras Chamber of Commerce upon this very point? I will read you an extract from their letter:—"The attention of this Chamber has been closely directed to the recent currency proposals of the Government of India and to what is known as the 'Lindsay Scheme' for establishing a gold standard, and I have now the honour to lay before the Government of India a brief statement of the views of this Chamber." Then, after various recitals, they say:—"Mr. Lindsay's scheme is, in the opinion of this Chamber, sound, and would work. But to make it work easily confidence in its stability is essential, and to ensure this, the Chamber does not consider that a gold reserve of 5 millions, to be kept in the Bank of England and drawn against, is sufficient. The Chamber would suggest that the reserve should be at least 10 millions; but it does not see why the expense in connexion with the reserve should not be reduced by holding part of it in Consols on which gold could always be borrowed cheaply in an emergency, though the Chamber does not believe the necessity would arise." Now, I am not going through the opinion of the Chamber of Commerce, but have you in your mind the opinion of the Madras Chamber of Commerce, and of other commercial authorities in India, when you tell us that the commercial community in India do not approve of a gold currency?—Yes. The letters received by the Committee from the Bengal and Bombay Chambers of Commerce also deprecate any attempt to establish a gold currency.

4074. That, you think, is the essential point of divergence between the two schemes?—Yes.

4075. Now you say that the expense of convertibility might be diminished by forcing the Natives, by means of a prohibitive duty on silver, to revert to the old practice of melting rupees for the manufacture of silver ornaments. Do you recommend the levying of such a duty?—I think it may be necessary, if it is found that Native State coins are being coined illicitly to any large extent.

4076. How would that be affected by the large increase in the net imports of silver during the 12 months ending the 31st March last?—I should like to call attention to the large increase in the net imports of silver during the 12 months ending 31st March 1898. This was a time of famine, yet the net imports of silver increased from an average

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of 6 crores 14 lakhs for the previous three years to 8 crores 43 lakhs. As the British mints are closed, this silver must have been bought, either for coinage in the Native mints, for hoarding, for the manufacture of ornaments, or for illicit coinage. The coinage in the Native mints we know, from figures published by the Government of India, to have been small of late years, and to judge from the experience of past famine years, little can have been used for ornaments; it is also unlikely that much hoarding took place during a period of famine, and we are driven to the conclusion that in all probability the silver was largely used for illicit coinage.

4077. That, of course, is your opinion; you give us no fact in support of it. Mr. O'Connor and the authorities from India are of opinion that there has been practically no increase of illicit coinage. There is always in every country a certain average of illicit coinage, in India it is comparatively small?—I do not say an illicit coinage of Government rupees, but it appears very probable to me that there has been great illicit coinage of Native State coins, and these Native State coins circulate on the large tracts of territory that border these Native States all through India, and displace British rupees, thereby creating a redundancy of the British rupee currency. I may mention that as the result of the famine of 1877–78, 3 crores 30 lakhs rupees worth of silver ornaments were sent to the mints to be coined. In 1897 the only part of their silver ornaments that Natives were able to turn into money were the coin parts of the ornaments. This was done, it is known, to a considerable extent, and looking to the extreme severity of the famine it is unlikely that any large proportion of the 8 crores 43 lakhs of silver imported was made into ornaments.

4078. What is the conclusion you draw from that with reference to the Government of India's scheme?—The conclusion I draw from that is that it may be found necessary to impose a prohibitive duty on silver imports, if it is found that native state coins are being coined illicitly to any large extent and displacing Government of India coins.

4079. Are you using that as an argument against gold currency?—No, I am pointing out that there is a possibility, I do not say that it is necessary, but the Committee should bear in mind that it may be necessary, in establishing either a gold standard or a gold currency, to impose a prohibitive duty on silver imports.

4080. As I understand, you consider that such a gold currency as the Government of India propose would involve hoarding?—Yes, it would encourage hoarding.

4081. And you think that these sovereigns would be withdrawn from circulation?—Yes.

4082. And be hoarded?—Yes. The Commission of 1866, which took evidence upon these points, refer to that matter. The evidence they took and the conclusions they adopted pointed to that.

4083. Then I understand, still dealing with this gold currency, you think it would compete unsatisfactorily with the rupee; in other words, that with a handy gold coin, say a sovereign of full metallic value, there would be greater danger than in keeping up, so to speak, the token currency?—Yes, I believe the handy gold coin would be used largely in the internal circulation, and would also go largely into hoards, and displace rupees at present hoarded.

4084. I can understand the hoarding, but how would it be used largely in the internal circulation?—One reason why gold coins should be largely used in India is this, that the natives of India dislike paper money. They have often very large payments to make, but they dislike the use of paper money. For that reason the probability is that in India the circulation of gold coins would be larger than in other countries.

4085. Much larger than in Egypt?—Much larger in proportion, because the Egyptians, I think, to a certain extent, use paper money.

4086. We were told yesterday that they used none at all?—I have no reliable information about Egypt, but the position there should not be taken as a guide to what will happen in India. In Russia, for instance, the people prefer paper money, other countries prefer coins; but in India people dislike paper money. For that reason the probability is that they will use gold coins largely.

4087. Do you think that the use of paper money would be curtailed by a gold currency?—I think so.

4088. Do you think that the establishment of a gold currency would disturb the money market every season?—Yes, the initial demand would be very heavy, and there would be further large demands each season of active export trade.

4089. Now, have you any other criticisms to make upon the Government of India's scheme?—I object to the stringency it will create. Exchange is to be raised and kept up by stringency. Gold is to be forced into circulation by monetary pressure. Confidence is to be created by compulsion, instead of by convertibility. I think that any scheme that relies for success on the condition of stringency is condemned by the experience of the last two years. Besides, there can be no confidence in exchange, and no flow of capital to India, until the rupee exchange is definitely fixed by convertibility.

4090. Would a gold currency, acting automatically, produce stringency?—The proposal is to force gold into circulation by melting down rupees.

4091. Let us take that out for the moment. Supposing no forcing, but leaving it entirely to its ordinary operation. Take this state of things: The Government of India leave the currency alone, neither add to it, nor take from it, but in addition to that they make gold a legal tender, say, at the rate of 15 rupees to the sovereign. How would that affect the stringency of the money market?—That is very much the position that we have at the present moment. There will be no confidence in exchange with no limit to a falling exchange, nothing to check a fall.

4092. That is your answer?—That is my answer. Capital would not go out to India under those circumstances.

4093. You think there would be no flow to, and reflow from, India of gold under such circumstances?—Where is the gold to come from?

4094. That is another point, but, assuming your own scheme, namely, that the balance of exchange, which practically is always payable in gold, sooner or later, is, as you say, a small balance, how would that be affected by the introduction of a gold currency? You think it would retard it?—Am I to understand that my scheme will be in operation?

4095. No, I am away from your scheme for the moment. When I asked you your objections to the Government scheme you commenced by saying that you objected because they were going to create stringency by forcing gold into circulation by melting down rupees. Now I say, suppose they do not melt down rupees?—There will still be the stringency that exists at present.

4096. I want you to explain that to the Committee?—At present the stringency has been caused by a want of confidence in the stability of exchange. People will not send out capital, because they are afraid exchange will fall. People will not send out gold.

4097. Are you using the word "stringency" as applied to capital, not currency?—The stringency which at present exists in India is directly owing, not so much to want of currency, as to want of loanable capital.

4098. Then your opinion is not that there is stringency in the money market?—Were there any great scarcity of rupees you would find 4 anna or 8 anna pieces being used for rupees, and of that there is no trace or sign whatever.

4099. Your opinion, therefore, is that, so far as the existing rupee currency is concerned, there is no

stringency whatever?—There is no scarcity of the circulating medium apart from the scarcity of capital. Were there such scarcity you would find 8 anna and 4 anna pieces used for rupees, and of that there has been no sign whatever from first to last. What we have to deal with is scarcity of loanable capital, and if more loanable capital had been sent out this busy season, more rupees would have been required, because exchange was at specie import point.

4100. Now one word upon the expense of the two schemes. Will you give us your views as to the cost to India of each scheme?—The indefiniteness of liability is certainly greater in the Government scheme than my own, because the indefinite liability is limited to the conversion and withdrawal of rupees. My scheme only withdraws those that would otherwise, if left in circulation, be tendered for bills at a lower rate than 1s. 3 $\frac{3}{4}$ d., whereas the Government plan necessitates the withdrawal and conversion of an equal number of rupees, and, in addition, a number of rupees, that would be replaced by gold coins introduced into circulation or into hoards, or into the Government balances.

4101. In other words, you are there putting this point, that the cost of your scheme is only the interest on the sterling loan?—The cost of my scheme is only the interest on the sterling loan.

4102. Whether it be 5,000,000*l.* or 10,000,000*l.* that is the cost, the interest?—Yes, and as a set-off against this interest charge there is a profit of 2 per cent. on the re-sale at 1s. 4 $\frac{1}{16}$ d. of the rupees purchased at 1s. 3 $\frac{3}{4}$ d., also the profit on all fresh additions to the currency.

4103. Now, what is the cost of their scheme? Borrowing in London at, say, 3 per cent., the interest on the 5,000,000*l.* would be 150,000*l.*, and on the 10,000,000*l.*, would be 300,000*l.* a year?—Yes; in the first place the amount of gold required, that has to be either borrowed or forced into circulation by monetary stringency, would be much greater.

4104. Would not there be two items in the cost of the Government of India's scheme—the interest on the gold, which you say is to be forced into circulation, and the cost of melting down rupees?—Quite so.

4105. I want to be quite clear about this. Your scheme would simply mean interest on the gold; their scheme means the interest on the gold plus the cost of melting down rupees?—Yes; in their case there is no profit of 2 per cent., no recovery of the loss incurred in melting rupees, no profit on fresh additions to the currency; and, in addition to that, more gold would be required under the Government scheme.

4106. That is another point. You say that less gold would do for your scheme than for theirs?—Yes.

4107. In other words, you think a good deal of gold would be absorbed for hoarding and other purposes if a gold currency were introduced into India, whereas yours would be confined exclusively for exchange purposes?—Yes.

4108. (*Mr. Campbell.*) You say that the demand under your scheme, to convert rupees into sterling, would only be the demand for rupees for exchange purposes?—For exchange purposes.

4109. But any man who thought gold was cheap at 15 rupees to the sovereign might take advantage of that scheme, whether he wanted to make a remittance to India or not?—But under my scheme he would not be able to take advantage of it at 15 rupees to the sovereign; he would require to pay 15 rupees 4 annas.

4110. Take any figure you like. Suppose a man thought gold was cheap at 15 rupees 4 annas, he could take advantage of your scheme whether he wanted to make a remittance to India or not?—That is the point. There is nothing in the scheme to cause exceptional remittances for the purchase of gold. If he took advantage of the scheme he would be paying the highest possible price for gold.

4111. Might circumstances arise that would make that appear to be a cheap price for gold all the same?—I cannot conceive any such circumstances.

4112. Then you say that one objection to the Government scheme is that it depends upon stringency for its operation. Would there be no risk under your own scheme of a stringent money market resulting from it?—None whatever, because the two currencies, the rupee currency and sterling money would be linked together, and made interchangeable at small expense. Money would, therefore, as we find in the case of gold currency countries, flow readily from one country to another. There could be no great stringency in India at any time.

4113. But we are comparing a silver country like India and a gold country like England?—We are dealing with a silver currency, but that silver currency is made convertible into sterling money, and sterling money is made convertible into the rupee currency, so that the two are interchangeable at a trifling cost.

4114. Suppose a diminished balance of trade in favour of India, which might make it an object for people to secure the Government rate of exchange of 1s. 3 $\frac{3}{4}$ d., would not that very fact indicate a disinclination to operate in the other direction; that is to say, to send money out at 1s. 4 $\frac{1}{16}$ d.?—If exchange dropped to 1s. 3 $\frac{3}{4}$ d. under my scheme it would be a sign that money was over-abundant in India, and there would be precisely the same remedy that operates and corrects any such evil in gold currency countries. When exchange dropped to 1s. 3 $\frac{3}{4}$ d., suppose we had a gold currency in India, the exchange banks would continue drawing, but they would take the gold coins and remit them to London. That would curtail the currency, and in that way re-adjust matters. In the same way there would be an equal curtailment and adjustment of the currency under my scheme.

4115. I am talking of exchange falling to 1s. 3 $\frac{3}{4}$ d., owing to a general desire to remit money home. Would not that general desire indicate a disinclination to remit money out at 1s. 4 $\frac{1}{16}$ d.? That is to say, that if the current went in the direction of remitting money home at 1s. 3 $\frac{3}{4}$ d. it would only be stringency that would cause it to flow back again at 1s. 4 $\frac{1}{16}$ d.?—It need not be stringency; it need only be a higher level of interest in India. London capitalists could buy bills at 1s. 3 $\frac{3}{4}$ d. without the least fear of loss in exchange on the return of the money. There would be a prospect of exchange profit, and a slightly higher rate of interest in India would attract capital from England. There need be no stringency.

4116. Then you say the cost under the Government scheme is the interest on a sterling loan plus the loss in melting rupees?—Yes.

4117. But in your scheme you contemplate, under certain circumstances, melting rupees also?—Yes, but the difference is this: under my scheme I contemplate the re-purchase of that silver. The Government scheme does not do so; it contemplates the replacing of the rupees melted by gold coins. I contemplate the replacement of the rupees melted by fresh rupees when a fresh demand for currency arises.

4118. That is if the public come in to take it?—It all depends on the public demand; but with a developing country such as India, you may rely that more and more currency will be required from time to time.

4119. (*Mr. Le Marchant.*) I think you stated that under your plan the effect of rupees being withdrawn from circulation by being paid into the Gold Standard Office in India against sterling drafts granted on London would be that the withdrawal of the actual rupees would tend to depress rupee prices and maintain exchange?—Yes.

4120. And you compared that to the withdrawal of rupees when Council bills were suspended, which was perhaps rather a withholding of rupees?—Yes.

4121. But would not much the same persons be concerned in either case? For instance, when Council bills are sold, the funds released by the Government

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pass into the hands of the banking community, who are the persons who in your scheme would be in relation with Government, paying in rupees to the Gold Standard Office?—Let me illustrate it again by considering exactly what would happen under a gold currency in India. The Secretary of State would go on selling his Council drafts. The exchange banks would buy those Council drafts, and with these Council drafts they would secure gold coins in India. Were exchange so low as is presumed, the exchange banks would send these gold coins to London, and so far the two positions would be identical. But other operators might at the same time be sending gold coins; when exchange is low other operators in the exchange market would be remitting gold coins to London.

4122. Would not that relieve the Government of that degree of strain? The public would so far be afforded a means of remittance without having recourse to the Gold Standard Office?—Yes, but then there comes this question: The withdrawal of gold coins merely by the stoppage of Council bills might or might not be sufficient to rectify exchange. A certain withdrawal of currency is necessary to rectify exchange. If you merely stop Council bills it might or might not be sufficient; but if you have a scheme of this kind it withdraws from the market not only the Government rupees, but every single rupee that would otherwise tend to depress exchange below your conversion rate.

4123. Would they not go through the same hands? Exchange passes through the hands of the exchange banks and banking circles?—They might or might not, but we have the experience of what happened in 1893. Council bills were stopped then, the exchange banks did not obtain their usual share of rupees from Council bills, but still exchange dropped below 1s. 3¼d. Why? Because other rupees were pressing on the exchange market and depressing exchange. Under a scheme of this kind that could not occur.

4124. Under your scheme it would be an indefinite and unlimited amount that would be so withdrawn, and, therefore, to that extent there is a difference but would not the withdrawal be from the same hands as when the sale of Council bills was suspended, taking effect through the exchange banks?—But you give the experience of 1893 the go-by. We found that in 1893 the mere stoppage of Council bills was not sufficient. Under a scheme such as mine you have adequate withdrawal of rupees; you have automatic machinery that adjusts the withdrawal of rupees to the extent actually required.

4125. I wish to ascertain whether the difference is in the extent of the withdrawal, or the persons from whom the rupees would be taken?—As a rule, in my opinion, whether you have a gold currency in operation, or whether you have a scheme such as mine in operation, all these operations will go through the exchange banks.

4126. So that, practically, the hands from whom the rupees would be withdrawn or withheld would be the same?—Yes, as a rule, the hands would be the same, but the quantities would not necessarily be the same.

4127. It is a difference of quantity?—In one case you have an automatic adjustment of the quantity; in the other case you have not.

4128. Still, is it quantity that is the essential difference?—I think it is essential to the keeping up of exchange. If there are more rupees in the market seeking remittance than is consistent with the exchange rate of, say, 1s. 3¼d., unless these excess rupees are taken out of the hands of the remitters in some way or other, exchange will drop.

4129. Would suspending the sales of Council bills to this further extent have been effective? It would have withdrawn a larger quantity?—It was entirely suspended, and that was not found sufficient, in 1893. Another important point is, of course, that in the one case you have confidence in the stability of exchange; in the other there is the fear that there will be a drop.

4130. But apart from the question of confidence it is a question of the quantity of withdrawal?—In the one case it is a question of automatic machinery to withdraw the precise quantity necessary; in the other case it is the dealing with one individual, you may say. In the one case you withdraw rupees from one remitter only; in the other case you withdraw rupees from all remitters who desire to remit below the convertible rate. The withdrawal of a larger quantity from one remitter might not suffice.

4131. I think you mentioned the balances of the presidency banks as one measure of the limit of possible demand upon the Gold Standard Office in London?—Yes.

4132. In what sense do you use the word "balances?" Do you mean the balances that their customer can draw for upon them or the cash balances that they have?—The cash balances or cash reserves of the presidency banks.

4133. Are those balances materially larger than they were in 1892–93?—Of late the cash balances of the presidency banks have been, I may say, unprecedently small compared with their liabilities.

4134. Then if they are low in times when trade is adverse, would not the amount remaining to be drawn be comparatively small; the amount of cash that they would have in adverse times would be at a very low limit?—Do you mean at times of unfavourable exchange?

4135. Yes?—Of course, at a time of unfavourable exchange the presidency bank balances tend to increase.

4136. Did they do so when there was this withdrawal of capital recently?—Exchange was on the whole favourable.

4137. Exchange was high?—Exchange was high.

4138. But did they at that time increase or not? Suppose, for instance, there is a tendency to withdraw capital for any reason, what effect would that have?—That tends to curtail the presidency bank balances.

4139. As these withdrawals would not be necessarily all at one time but might run over several years, do you think it possible that the demand on the London Gold Standard Office might accumulate for two or three years in succession?—During that period there will be the orthodox remedy for any unfavourable balance of indebtedness in operation. Our experience is that a period of unfavourable indebtedness cannot be very prolonged under a gold standard or under a scheme such as mine.

4140. I observe from the returns of the United States Treasury that the withdrawal of gold would appear to have gone on for two years in succession after 1893?—With regard to that I have to say that the currency of the United States was altogether in a different position, and under different conditions from those I lay down for the Indian currency.

4141. But they were on a gold basis; there would have been just the same basis for remittances during crop time?—I stipulate that no additions shall be made to the Indian currency unless an equivalent sum in gold is deposited in London. In the United States large additions were made against dollars coined under the Sherman Act.

4142. Did that go on after 1893?—No, not after 1893, but by that time the currency had been enlarged greatly. In 1891, 1892, and 1893, large additions were made to the currency, and that accounted for the large withdrawals of gold later on. If all that paper money had been issued against deposits of gold, as I propose, there would have been ample gold to meet the demand for export. The cases do not appear to be analogous.

4143. You are satisfied that there is no similar redundancy in India at the present time?—There is every sign of extreme stringency; no redundancy.

4144. As to the comparison of cost between your plan and the plan of the Government of India. I think you were saying that in the Indian Government plan there would be the cost of the gold imported,

exactly as in your scheme there would be the cost of the gold borrowed for the conversion fund?—Yes.

4145. Except so far as Government borrows to make up the 40 per cent. loss on melted rupees, would not the gold imported be imported by, and at the expense of, the public?—Oh, yes, you have a choice of the two; but then the gold that is imported, as it were, without cost to the Government is imported, in my opinion, at great expense to the community. It comes only in small quantities and under extreme monetary pressure, which strangles trade and destroys credit. We have found by experience that the exchange banks will not export additional capital under these conditions unless they are assured of a return of the money without loss. The Government scheme affords no such assurance, and I do not think there could be any large imports of gold under these circumstances.

4146. But if the public did import gold, there would be so far a saving of expense to the Government?—Yes, if that took place; but it can only take place under stringency, and it would be better if Government went to the expense of borrowing an enormous stock of gold, say, 50 millions; then of course all would be well.

4147. Then of course there would be the expense of the borrowing?—There would be the expense of the borrowing, but I think the expense of the borrowing is nothing compared to the injury done to the country generally by this severe stringency.

4148. You seemed to refer to the possibility of a very large loan. Do you think that the amount of borrowing should be limited only by the consideration of what the interest on it would cost as compared with the loss to Government through a low exchange?—I think the Government will not incur any expense in fixing the exchange at 1s. 4d. under my scheme, no expense, I mean, beyond the expense of raising the gold fund of, say, 10 millions. I say that for this reason: If anything should occur to create a demand for sterling remittances to an extent that would exhaust that fund, then, in the absence of that fund, exchange must have fallen very heavily. I hold that it is clearly proved by the figures placed before the Committee by Mr. Arthur, that the loss the Government will incur by a drop in exchange, that is to say, the loss on Council bills and the loss upon the pay of the British soldiers, and the loss on exchange compensation allowance, will be very much greater than any additional interest they might have to incur for additional borrowing.

4149. And you would extend that to any sum it might be necessary to borrow beyond the 10 millions?

I think the same principle must necessarily be held good. I believe it could be worked out as a mathematical certainty, although I do not think that I could do it. If the Government of India had no gold debt, if they did not pay their soldiers in sterling, if they did not pay exchange compensation allowances, then there would be no such loss, but seeing that the Government have these large sterling payments to make, it seems to me proved by the figures put before the Committee by Mr. Arthur, that the loss they incur by a drop in exchange must always exceed greatly the loss they would incur on a conversion fund.

4150. And that reason would hold good if the borrowing were to extend to much larger figures?—The saving would be all the greater. The more they borrow the greater the saving, because in the absence of that conversion fund exchange would drop. The greater the sterling fund necessary the greater the saving.

4151. And that would be a reason for contemplating a very large sterling fund with confidence?—Yes, that is how it appears to me.

4152. (Mr. Hambro.) Your idea is to attract capital into the country when money is dear?—The rates of interest will attract capital.

4153. That is one of the hopes or intentions, is it not, that it may attract capital into the country when money is dear?—Yes, if there is confidence in the

return of the money without loss, and if rates of interest offer profit to the London capitalist.

4154. Do rates of interest generally rule high for a year or six months?—As a rule for six months.

4155. A man would be no better off under those circumstances, if he lent money at 2 per cent. in London, or at 6 per cent. in India, because the exchange would destroy the difference. If he got 2 per cent. in London, or if he got 6 per cent. in India, it would be exactly the same to him on a six months' loan?—Yes.

4156. So that the rate would have to go very high before you would attract loans for short periods?—Yes; but I contemplate a large remittance of money to India for the purchase of permanent securities, and the purchase of these permanent securities would release money now invested in those securities, and that money would go into the short loan market. Besides, the loss in exchange you estimate is the greatest loss possible. If the London capitalist remitted at 1s. 3½d. and got back his capital in six months at 1s. 4½d., he would make an exchange profit of 4 per cent. per annum in addition to the interest gained. The interest profit would be certain; exchange might yield a profit or loss.

4157. You fear that having the gold itself in India might be an attraction for those who hoard rupees to exchange them into the more portable metal gold?—Yes, I distinctly do.

4158. Do you think when you show the native who is a large hoarder of rupees that you are afraid to bring gold into the country in case he should be tempted, that you will not tempt him even more by that very fear?—I do not think the natives will think very much about this scheme. All it does is this: The natives see that rupees are now convertible into sterling drafts at varying rates—

4159. I am not talking of the small native hoarder?—The small or the big native hoarder. He sees that rupees are convertible into sterling drafts at varying rates, and he learns that by this arrangement the Government have made those sterling drafts obtainable from the banks in future at rates varying between 1s. 3½d. and 1s. 4½d.

4160. You do not think there is any fear of the great hoarders coming forward and absorbing most of the gold?—I do not think so. The hoarder always looks forward to using the hoard in the future, and he prefers to hoard current coin. Were the gold coins made legal tender, then I might fear the large absorption of gold in that way, but not under a scheme such as mine. I think I have proof of that in what happens at present. Of late the hoarder could buy gold upon cheaper terms than he could under my scheme, and he has not done so to any appreciable extent. Exchange was fixed in bimetallic times, but gold was not hoarded then to any inconvenient extent.

4161. (Mr. Holland.) Do I understand that you deny that there is any stringency of rupees? You say there is a stringency of loanable capital, but no stringency of rupees?—I say there is no sign of a mere scarcity of currency, because, when there is a scarcity of currency, 8-anna pieces would be used instead of rupees, and there is no sign of that now. But I wish to say this, that I think the very fact of there being great stringency at present, shows that additional currency is necessary. It shows that additional capital is necessary, and if additional capital is brought out, at top-rates of exchange, more rupees would be required.

4162. If there is no stringency of rupees, do you wish the Committee to believe that there have latterly been as many rupees in the coffers of the banks as usual?—No, there has been a scarcity of rupees in the money market.

4163. If there were a gold currency, you think the demand would be all the larger, because of the dislike of the native to paper money. Can you tell us the ground of that dislike? Is it because they distrust the paper money?—It is very difficult to tell. I think the dislike arises more from habit and taste.

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Compare the practice in Scotland with England, or Russia with Germany; no one can explain the difference of taste.

4164. We had a witness, yesterday, who strongly advocated the use of Bank of England notes in place of gold. What would be your view of a step of that kind?—My view would be this: that there would not be the same danger in using the Bank of England note, because the Bank of England note would not go into hoards; but then the Bank of England note would fluctuate relatively to the Indian note unless both were convertible into sterling at the same rate.

4165. Would it not economise the use of gold, if both gold and Bank of England notes were made a legal tender; that was the suggestion?—If both gold and Bank of England notes were made legal tender, the Bank of England notes would not be touched.

4166. (*Chairman.*) Will you explain why you say that?—The natives would use the gold coin, and would not use the Bank of England notes.

4167. Would the banks use them?—The banks naturally use the currency that is used in the market. I do not see how the banks could hold any large amount of Bank of England notes. The balances of the exchange banks are held by the presidency banks. As a rule, the aggregate would be a large amount, but every now and then the balance of each exchange bank drops to a low sum.

4168. (*Mr. Holland.*) Would it not be more handy and economical for remittance purposes?—You mean handier than gold. I do not see how they are to be kept in circulation. I presume an exchange bank would take them to Calcutta, and try to sell them at a profit to people who were remitting. If they did not sell them at a profit, they would form part of its balance. Am I to understand that these Bank of England notes are to be made legal tender in India?

4169. Yes, in addition to gold?—Then the exchange bank whose balances were short would place these notes in the presidency banks, and the question is, what the presidency banks would do with them.

4170. (*Sir F. Mowatt.*) You mean as security for loans?—As a deposit on current account. The question is what the presidency banks would do with them. I, myself, should be inclined to hold for a premium. There would be two different currencies: there would be the Bank of England note, and the Indian currency note. The Indian currency note not being useable for remittance home, would circulate in the market on a different level altogether.

4171. (*Mr. Holland.*) We had a witness also who said with reference to the margin between buying and selling under your scheme, 1s. 3 $\frac{3}{4}$ d. and 1s. 4 $\frac{1}{4}$ d., that if a wider margin were resorted to, it would be better, say, 1s. 3 $\frac{1}{2}$ d. and 1s. 4 $\frac{1}{8}$ d., instead of 1s. 3 $\frac{3}{4}$ d. and 1s. 4 $\frac{1}{4}$ d.?—I am altogether opposed to increasing the margin, because, as was pointed out just now, with the present margin there is a danger of capital not going out for the short loan market, when there is a prospect of incurring the extreme loss in exchange, and if you increase the margin, then you increase the danger of stringency.

4172. Do you think it would strengthen the chance of your scheme if there were a guarantee of the Imperial Government behind the guarantee of the Indian Government?—Of course, anything that would give greater confidence is desirable, but, in my opinion, capitalists in London, Berlin, and Paris, will have absolute confidence in the guarantee of the Government of India.

4173. (*Chairman.*) In other words, your proposal is entirely confined to exchange purposes. You do not propose to interfere with the internal currency of India?—I would leave it entirely as it is now.

4174. Silver is now an unlimited tender—that you leave untouched?—Yes.

4175. And you propose to introduce no gold coin into India?—No. It is taking, if you like, the first step towards a gold currency.

4176. (*Sir A. Dent.*) I should like to ask you a question about Council bills, which is possibly rather

outside our inquiry to-day, but, I think, some members of the Committee would be very glad to have your opinion upon it. I understand that at present the only method that the Government of India use to lay down funds in London is that of the Secretary of State drawing bills on India, and the question in my mind is whether it is not possible to avoid that publicity in some way by the Government of India also having the power to buy bills on London through Bombay and Calcutta on the banks or other bills that they think good enough security. I am aware that the question of the security of those bills would be raised, but it is done I know in the Colonies. The Government remittances are sent home to meet the interest due from the Colonies through the banks. Is it not possible, therefore, for remittances to be partly made through the Eastern banks in some way from India to London?—My opinion on that point is this: I think that under an inconvertible currency system, it is a mistake to sell bills weekly by public tender. To illustrate that, I would take one of those very fluctuating currencies, such as the currency of Brazil, which has a gold debt. If the Brazilian Government raised their sterling funds in the way the Government of India does by the weekly sale of Council bills, to what level would the Brazilian exchange go? On the other hand, as long as exchange is fixed by convertibility, I think it matters little how Council bills are sold, whether on the present system, or on any other system. With regard to the suggestion that has been very often made in India that the Presidency banks should be empowered by the Government of India from time to time to purchase sterling bills, either mercantile or sterling bank bills on London, as a sort of substitute for the present system of sale, or as supplementary to the present system of sale, I myself decidedly think that were the currency of India to remain on an inconvertible footing, that change would be very desirable.

4177. These bills might sometimes be taken by the Indian Government at a long usance, 30, 60, or 90 days. That would assist in laying down funds in London would it not?—I have not the least doubt, that if the Presidency banks were given a small commission, they would be happy to take all the responsibility, and would be quite prepared to purchase long currency bills, which are, of course, obtainable at a more profitable rate than ordinary bills and telegraphic transfers. But there is the question of competition with the exchange banks. I hope, of course, that the currency of India will be put without delay on a convertible footing in some form or other. When once that is done, I think it matters little how Council bills are sold.

4178. It might be a convenience, I should think, if it were done in that way; there would not always be competition?—There would not always be competition, but I am afraid the exchange banks would fear competition if that suggestion were adopted.

4179. The Government of India might, of course, hesitate to take a bill of a Bombay branch upon its head office; that would be practically a promissory note; but that might be got over by their taking drafts on some of the leading London banks?—I do not think, in a case of that kind, it would be advisable for Government to exercise discretion, and take the responsibility of selecting bills. I think that should be left to banking agency. And you have the Presidency banks, who are the agents of the Government in almost all financial operations; you could easily obtain their assistance, and they, I am sure, would be prepared to take the full responsibility in consideration of a small commission.

4180. You would not propose that the Government of India should send their broker into the market of Bombay or Calcutta to get what bills he thought fit?—I should think that is a responsibility which the Government would not like to undertake, and should not undertake.

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4181. (*Sir C. Crosthwaite.*) You expressed the opinion that there has been illicit coinage during the last years?—I am very much afraid from the state of our exchanges with the native States, that there has been illicit coinage of native State coins, and that these native State coins have displaced British coins on the borders of the native States which, of course, are an immense tract of territory.

4182. Are the native coins circulating at par with our coins?—Oh no, the exchange of the native States varies much.

4183. Where the native mint has not been closed to silver the native coins will be at a discount?—What we find is this, that even in cases where the native mint has been closed, or in cases where the native mint has coined very little, still exchanges show a redundancy of native State currency indicating in all probability illicit coinage. I could illustrate that from the Hyderabad exchanges if I may be allowed. Taking the Hyderabad exchange, with which I am best acquainted, it has risen greatly since July 1893. From 1887 to 1892 both years inclusive, the exchange fluctuated from Hali Sicca rupees 125 and 4 annas to 133, with an average of say, roughly, 129. Since July 1893, the range has been from 129 rupees 8 annas to 136 rupees 12 annas, the latter rate being the one ruling towards the middle of May last, and the average has been about 133.

4184. You think that indicates illicit coinage?—Illicit coinage of the Hali Sicca rupee, the Hyderabad native State coin.

4185. You think that is brought into circulation in our territory?—It is taken into circulation all along the border in British territory.

4186. As to the quantity of silver imported into India, what do you say?—I consider the large importations, especially of this last year, a period of famine, indicate that there must be some exceptional demand for silver.

4187. As regards the import of gold this last year, are you aware that that also has increased very much?—The increase in the import of gold I attribute simply to the fall in the price of gold. When the exchange rises the price of gold falls. We have had a period of high exchange, in other words, a fall in the price of gold, and, I think, that accounts for the additional imports of gold.

4188. You have a statement here of the yearly imports of gold. I see that the weight in ounces of gold imported in 1897-98, was 732,035 ounces. That is considerably more than has been imported since 1890-91?—I think myself that that is attributable to the fall in the rupee price of gold. It fell also in 1890-91. The Committee may care to have a little information in regard to the precautions taken by the Nizam's Government to protect its currency from illicit coinage. The Nizam's Government have imposed a duty of 10 per cent. on imports of silver, but it is difficult to prevent smuggling on a land frontier. When visiting Hyderabad in 1896, I was informed that strict police supervision had been ordered both in Hyderabad city and the districts, but I was told by one of the head officials of the State that illicit coining was such a comparatively easy matter that it was probably being carried on to a considerable extent.

4189. (*Sir D. Barbour.*) You said in your evidence that the rupee currency would be reduced, or might be reduced, when apprehension point was reached as regards the gold reserve. I suppose you acknowledge that the real reduction of the rupee currency takes place when gold drafts on England are sold?—Yes.

4190. I do not know whether you believe at all in the quantitative theory of money?—I believe in the quantitative theory of money as laid down by John Stuart Mill. I do not believe in the quantitative theory of money expounded by the Government of India Despatch.

4191. The quantitative theory is that, other things being equal, the range of prices will depend on the

quantity of money?—I think Mill lays down clearly that the quantitative theory of money with regard to its sterling price is—

4192. I was speaking of money in regard to general prices, keeping away from sterling altogether?—Prices no doubt are affected by the quantity of money that goes into the markets for commodities.

4193. The quantity of what you may call active money—the circulation?—I do not think it is always affected by the quantity of money in the loan market.

4194. I do not say so, but, roughly speaking, other things being equal, prices depend on the quantity of money. That is the quantitative theory of money, roughly speaking. I do not ask you to agree to it, or otherwise. Many people do not accept it?—May I call your attention to the evidence given before the Herschell Committee in reference to the case of Brazil?

4195. That is the case brought forward to show that the exchange may vary although the quantity of money remains the same?—Yes, or exchange remain the same, although the quantity of money varies greatly.

4196. There I entirely agree with you, but I was thinking of the general level of prices. Does that depend on the quantity of money, or do you reject the theory?—I accept the quantitative theory so far as this, that prices must depend on the quantities of money that go to the markets for commodities. They are not affected by the quantity of money that goes into hoards, or that does not enter these markets.

4197. As to the active circulation, what is really money for the time being, I quite agree. Now, there are 120 crores of active circulation in India; suppose that was doubled—made 240 crores; and that all that money found its way into the country, and had time to diffuse itself, prices ought to be doubled, and debts and wages doubled?—Yes, if equally diffused on the average.

4198. And the exchange, instead of being 16d., ought to go to 8d.?—Yes.

4199. Other things being equal?—Other things being equal.

4200. To what extent would the balances in the banks be increased under those circumstances—doubled?—Yes, I should say doubled, speaking generally.

4201. Suppose you wanted to reduce the currency and get back to an exchange of 1s. 4d., how much money would you have to withdraw?—At present?

4202. Under the circumstances we have supposed?—I should be inclined to say one half, but of course it would depend on the quantity that went into the exchange market.

4203. You would have to withdraw much more than the addition to the balances in the banks?—Yes.

4204. So that if in adopting your scheme the Government were to adopt a rate of exchange very different from the normal rate of the time, you would probably have to withdraw many more rupees than were contained in the banks?—Yes.

4205. Then you spoke of the objection raised by the Government of India to your scheme that an indefinite liability was undertaken, and you said that that liability was no greater in your case than under theirs?—Less in my case.

4206. It might be less, but it could not be greater?—It could not be greater.

4207. But is there not this difference, that under the Government scheme they limit their liability to 20,000,000L., and under your scheme you do not apply any limit?—Yes; many people say I should have been wise to have done the same thing.

4208. I do not say that, but there is that difference. It may have no practical effect, but in form there is the fact that they limit their liability to 20,000,000L. sterling?—I cannot see any practical difference.

4209. I do not say there is any practical difference, but that is what the Government of India might refer

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to when they say that under your scheme there was an indefinite liability?—Provided it is granted that I could have done the same thing with the same effect.

4210. I am not arguing against your scheme, but that is the argument—that you do not fix a limit?—Yes, that is the argument.

4211. Then the Government of India say of your scheme that it is not well fitted for the preliminary stage, and you point out that a similar scheme was adopted in England for the preliminary stage of re-establishing a gold standard in this country?—In fact it was confined by legislation to the preliminary stage.

4212. Now, I want to ask you if this is not the real objection of the Government of India, as I understand it, at any rate: that if under your scheme a rate of exchange is adopted which very widely differs from the actual market rate, then it may be necessary to make a great withdrawal of rupees?—True; but the same thing must occur under the Government scheme.

4213. But is not that the objection?—That appears to be the objection.

4214. And then the Government of India go on to say that your scheme is quite suitable (that is, in their opinion, of course) when you have arrived at the stage when it is not necessary to reduce the number of rupees in circulation?—Yes; both my scheme and Mr. Probyn's.

4215. That when you have got to that stage, it will be all right?—Exactly.

4216. You raise the objection to having a gold currency that gold might be hoarded or withdrawn from the general circulation. But assuming that the rupee currency has been sufficiently reduced, if gold is withdrawn there will be a further reduction of that currency, and it may be expected that gold will take its place just the same as, when rupees were hoarded, silver came in every year and took their place?—That would not occur were the balance of trade unfavourable to India at the time.

4217. If the circumstances were such that a gold standard could not be maintained, no doubt that would not occur; but the assumption is, that the currency has been so reduced that the balance of trade is in favour of India?—But the balance of trade might be in favour of India at one period, and unfavourable later on.

4218. Then you think that even though gold came into the country and was put into circulation, it might be withdrawn without bringing about a state of things that would cause more gold to be imported?—Certainly. A fall in gold prices would be sufficient to create a demand for export in addition to internal demands.

4219. Do you seriously contemplate levying a prohibitive duty on silver imported into India?—I have always put that forward as a desirable method of fixing our exchanges with the Native States. I hold that a heavy import duty on silver would not of itself suffice to fix exchange, but it would certainly under any circumstances minimise the cost of contracting the rupee currency.

4220. I spoke of a prohibitive duty?—A prohibitive duty would minimise the cost of my scheme by curtailing the rupee circulation, without any expense. It would compel the natives to revert to their old practice of using rupees in the manufacture of silver ornaments.

4221. That is without any expense to the Government?—Without any expense to the Government.

4222. But it would be an expense to the people who wanted silver ornaments?—Not necessarily. It would be an expense to those who manufactured silver ornaments for export, but not to those who manufactured silver ornaments for local use. It would raise the value of those—at least it would raise the rupee price of those ornaments.

4223. And, therefore, would be a greater expense to the persons who purchased them?—It would be a greater expense, but the ornaments would remain more valuable.

4224. (Chairman.) To whom?—To the peasant at all events in a case in which he had to borrow on them, say during famine times.

4225. (Sir D. Barbour.) I suppose you would admit that the absolute prohibition of the import of silver into India is a thing that really cannot be considered to be practicable?—At the Brussels Conference it was seriously proposed that the price of silver all round should be raised by imposing a tax on its production. That would, no doubt, have had the desired effect, and I do not see why the consuming countries should not exercise the same right.

4226. Would you be prepared so far to interfere with the habits of the people of India as to prevent them getting silver?—It would be no interference with the habits of the people, for this reason. Prior to the closure of the mints they were accustomed to buy their silver at a fixed rupee price. All it would do would be to restore the old condition of affairs, where the native was accustomed to look upon coined silver and uncoined silver as equal in price. May I go one step further, and point out this; that the imposition of an import duty on silver has an exceptional effect in connexion with silver money. If you put an import duty on food it does not add to the efficiency of the food; the food does not become more nutritious: but if you put an import duty on metal, which you use as your coin, it increases the efficiency of the coin. It is one of those few cases in which you can eat your cake and have it.

4227. I was thinking more of the ornaments?—In the case of ornaments, it would increase their cost under ordinary circumstances, but it would be a great benefit to the people in time of famine, because all the ornaments that they hold at present would rise to their old rupee value.

4228. But it has been alleged that it is no great evil that they have fallen below their old rupee value?—I am afraid that the experience of last year has shown that that is not the case. For instance, we found, during this last year, that rupees that had evidently been used for ornaments, had been pushed into circulation to a large extent. The natives found that the only part of the silver ornaments that could be utilised in the shape of money were the rupees attached to them. These rupees were taken off and they are recognised by the solder attached to them.

4229. Were there many of these rupees?—The Government drew the attention of the Bank of Bengal to the large increase in the number of coins with solder attached, that were appearing in circulation, and asked for an explanation. We referred to our branch agents, and we found that in all the districts that had been afflicted by famine many of these soldered coins had been put in circulation, and not in other districts, showing that the people had taken their coins from their ornaments, and tried to use them as money.

4230. That would have been the case in the North-west Provinces?—Yes.

4231. In Behar?—In Behar, and in the Central Provinces. It was not the case in districts free from famine.

4232. Now you say that under the system proposed by the Government of India if gold circulated in India, there would be heavy withdrawals every busy season of gold from London?—I should have said that there would be a risk of heavy withdrawals during any time of active export trade.

4233. Do you think that gold would go back again or remain in India?—I think the gold to a great extent would remain in India.

4234. Would not there be the same or a similar demand for gold in London under your system in a busy export season. People would pay in gold at 1s. 4½d. in order to get rupees?—The difference would be this; that that gold would not be drawn from London for currency purposes in India. The gold would be transferred from certain accounts in the Bank of England to the gold standard office account, and in the autumn here, i.e., in the slack season in India, a retransfer would take place; but the gold

would not leave the Bank of England for currency purposes in India.

4235. Do you think there would be a re-transfer?—I have no doubt that during the slack season there would be re-transfers. It would, of course, depend very much upon the margin of the convertible rates. If there was a margin of 6 per cent., probably nothing would come back. With a margin of 2 per cent. I think some would come back; with a margin of 1 per cent. still more would come back.

4236. You would propose then, that that gold paid into the gold standard reserve should not be set aside specially to meet claims against it, but that it should be merged in the general balance of the bank which it might use for any purpose?—Yes, that would be the best way. There would be no disturbance then of the London money market.

4237. If the bank used that money largely for its own purposes, would not there be risk that there might be a great drawing at $1s. 3\frac{1}{2}d.$, and a demand for gold at a particular time when the bank might find a difficulty in meeting it?—I do not think there would be any difficulty in meeting the demand, because it would be met by a mere transfer from one account to another. Under the Government scheme gold would be withdrawn for currency purposes in India. Under my scheme gold would not be used for currency purposes in India, and however big the demand it would cause no inconvenience.

4238. Suppose a man who had got a sterling bill took the gold and carried it out of the country—took it, say to America—would not there be a demand on the Bank of England arising in that way?—Yes, but that demand for gold would not be the consequence of any change in the Indian currency system. It would be owing to a special demand for gold in America which would occur no doubt, whatever the currency arrangements of India were.

4239. If there was that demand for gold in America (it is a purely hypothetical case) and advantage was taken of the Indian system to obtain gold in this way, the Government would be absolutely committed to the finding of the gold; the Government would have given a guarantee?—I do not see myself how such demand would arise out of any change in the currency system of India.

4240. As regards the cost under the Government system, do you think there is the double cost, the cost of borrowing the money and the cost of melting down rupees? For instance, Government propose to melt down 10 crores of rupees, and it gets 6 crores back by selling the silver; that leaves 4 crores deficit which it fills up by borrowing 2,700,000*l.* Is it not the case that the only real additional charge is the interest on the 2,700,000*l.*?—There will be the interest on the 2,700,000*l.*, and also the loss of the 4 crores of rupees.

4241. Its place is taken by the 2,700,000*l.*?—Its place is taken by the 2,700,000*l.*, but there is the interest on the 2,700,000*l.*, and there is also the loss of the 4 crores.

4242. But what burden comes on the Government from that loss, if it uses its 2,700,000*l.* in place of the 4 crores? I may be wrong, but as far as I can make out the actual additional burden that falls on Government is merely the interest on the money it borrows. It gets rid of 10 crores of rupees, but it gets back 6 crores in rupees and 4 crores in gold, and it has to bear the charge for interest on what it has borrowed?—Yes; but the Government pay interest on the 2,700,000*l.*, or four crores, and also lose the use of that sum. This question arose from a comparison I drew between the cost of contraction on the Government plan and my scheme. I assumed, in accordance with the Government estimate, that during the first year 5,000,000*l.* is borrowed, and 2,700,000*l.* spent in contraction. Under the Government plan 10 crores of Treasury money will be melted and sold for 6 crores rupees, and 2,700,000*l.* will be taken from the 5,000,000*l.*, and put in the Treasury balance. Under my scheme 2,700,000*l.* will be given in exchange for

Rs. 4 crores. At the end of the year the Government will have its full Treasury balance, plus 2,300,000*l.*, in the one case, whereas under my scheme, it will have these amounts and 4 crores in addition.

4243. Now you said that under your system the particular rupees that are depressing exchange are withdrawn. The actual cause of the depression of exchange would be that somebody wanted a sterling bill and could not find it?—Yes.

4244. And under your system the sterling bill would be supplied?—Yes.

4245. Assuming that the sterling bill is supplied, does it matter whether you lock up the lakh of rupees that one man brought rather than the lakh of rupees that somebody else brought?—It is desirable that any rupees which tend to lower exchange below $1s. 3\frac{1}{2}d.$ should be locked up.

4246. I only want to get out exactly what is the case; I am not arguing against it. It is desirable that the amount locked up should be the amount that somebody required to remit, but is there any advantage in locking up a particular lakh of rupees rather than another lakh?—Yes, I think it is desirable that the money locked up should come out of the exchange market.

4247. You pointed out, following Mr. Allan Arthur, that the gain to Government by preventing a great fall in exchange is much more than any possible loss from borrowing gold?—Yes.

4248. You do not speak there of the loss or gain to the country as a whole?—The gain to Government.

4249. Because if the Government had to borrow largely there would be a considerable loss to the country which would have to bear the interest on the loan?—Yes, and if exchange fell, there would be the still greater loss to the country in the depreciation of the value of the existing rupee currency; and if, as might be expected, gold prices of Indian produce fell, there would be the loss of the extra produce required to pay India's sterling obligations. Besides, as a set-off to the interest charge, there is the 2 per cent. profit on conversions, and the 45 per cent. profit on additions to the rupee currency.

4250. Do you think that if additional capital is wanted in India, that necessitates additional currency?—It all depends on the rate of exchange. The remitter of capital to India will remit it in the cheapest possible way. If exchange under my scheme were below $1s. 4\frac{1}{8}d.$ he would buy a bill against exports to India, but if exchange were $1s. 4\frac{1}{8}d.$ he would have to remit additional currency. Currency is merely a medium for conveying capital.

4251. Do you admit that you never contemplate the possibility of capital being found somewhere in India itself?—If capital can be found in India, there is no reason for its being imported, but during the past two years it has been found that the capital in India has been insufficient.

4252. Do you think it would be advisable to increase the margin to between $1s. 4\frac{1}{8}d.$ and $1s. 3\frac{1}{2}d.$?—I should decidedly object to any increase, and I should think it is matter for consideration whether it should not be decreased. There are two parties. You have the exchange banks on the one side, and you have the merchants on the other. The merchant will naturally desire to have the margin as small as possible, so that there may be few fluctuations of exchange. The exchange banker, on the other hand, will naturally wish a larger range of fluctuation, and I think the duty of the Government in the matter is clear; that is, simply to fix the margin at the range that would be fixed were a gold currency in operation, which, I take it, would be 2 per cent. Were gold coins in operation, when exchange rose to $1s. 4\frac{1}{8}d.$ they would be imported from England.

4253. I thought it was $1s. 4\frac{1}{2}d.$?—Well, they would be exported at about $1s. 4\frac{1}{8}d.$

4254. Your margin is considerably more than that, is it not?—My own impression is that the best plan would be to fix the margin in accordance with what would rule under a gold currency system.

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4255. That would lead to some reduction in the margin you have suggested?—That would lead to some reduction, a small reduction.

4256. I do not know whether you are aware that the Government has tried the remitting of money to England by purchasing bills on London?—Many years ago.

4257. Now, do you think it would be safe, or expedient, to put the purchase of these 17 millions sterling of bills into the hands of the Presidency banks?—I certainly think that under an inconvertible system a weekly tender sale of bills, must tend to lower exchange.

4258. Why must it?—It resembles an auction sale. When things are sold by auction, we know that they never fetch their proper price.

4259. Is that really the case? I have always been under the impression that a very excellent price was obtained for opium sold by auction in Calcutta, and that the margin of profit was extremely narrow?—I do not know that that is so. All I can say is, that the operators in opium are generally very wealthy men.

4260. And the explanation I have heard of that is that the margin of profit was so small that no man who had not got a large amount of capital of his own could possibly engage in the trade?—It is no doubt minimised greatly by the gambling operations carried on in connexion with opium.

4261. I dare say you know that a great many commodities are sold largely by auction in the City of London?—Yes, but I think the ordinary trader is the better seller.

4262. (*Sir J. Muir.*) From your long connexion with the Bank of Bengal you must have been very much brought into contact with the leading merchants and traders and planters in Calcutta?—Yes.

4263. And I dare say you would agree in classing among the leading merchants, if not the leading firm of merchants, Messrs. Ralli Brothers?—Oh yes, their transactions are enormous.

4264. In Calcutta, Bombay and Karachi?—Yes, they have agents all over the country.

4265. A very large number of them?—A large number.

4266. I hold in my hand a paper which has been sent by Mr. Stephen Ralli to every member of this Committee; you are aware that there is a very wide diversity of opinion among the importers and exporters from Calcutta as to what is a fair rate of exchange?—Naturally the exporters like to see a falling exchange and the importers a rising exchange.

4267. (*Sir F. Mowatt.*) Do you mean a high and low rate, or a rising and falling rate?—Rising and falling.

4268. (*Sir J. Muir.*) It may be within your knowledge that some of the leading houses in Calcutta, such as Ralli Brothers, who are both importers and exporters, prefer on the whole a low rate of exchange because they say we cannot expect our business to go on largely in the importation of Manchester and Glasgow goods unless there is a large inland trade in exports which a low rate of exchange favours?—Those arguments are used, but I cannot say that I agree with them.

4269. We have been talking of your system very much on the basis of 1s. 4d., but I understand you would equally apply a lower rate of exchange, if, on the whole, a lower rate were found to be more suitable?—Certainly.

4270. That is to say, suppose as the result of our inquiries and investigations this Committee should come to the opinion that 1s. 2d. was the proper rate, your scheme would work equally well?—My scheme would work equally well. It would cost less, to begin with.

4271. Of course you, frequently meeting indigo planters, tea planters, &c., will know that they feel that there is a heavy grievance so far as they are concerned by the rate being fixed at 1s. 4d. You have heard that stated in Calcutta?—Yes. Their

desire, I believe, is to have no rate fixed at all, but if any rate is fixed they desire a lower rate.

4272. The tea planters have, as you know, invested over a great many years a very large sum of money; they themselves put it down at 20,000,000*l.* sterling. You are aware, I suppose, that that money, being fixed permanently in Assam and the Dooars and Darjeeling and elsewhere in India, cannot be taken away, so that they are bound pretty well hand and foot. The money being there it has to be used there?—That is so.

4273. Glasgow and Manchester men, importers into Calcutta of Glasgow and Manchester goods, are not in that position. I am a merchant in Calcutta, and I buy goods in Manchester, and in addition to the price I have to pay for my yarn or cloth in Manchester, the other elements that come in are freight and exchange; freight is a fixed quantity; and through the exchange banks I can fix my exchange; so that, when I have the selling price in Calcutta, I know exactly how the operation will result?—That is true, but I should like to say that I do not see how one section of a community can make a profit out of a fall in exchange without another section of the community suffering a loss. You have on the one side exports from India, on the other side you have imports, and the Council bills. If exports gain by a fall in exchange, there must be a corresponding loss on the other side. In the case of Council bills the whole of the community loses because it is a Government loss. In the case of imports it is not so easy to trace the loss, but exports cannot gain by a fall in exchange unless there is a corresponding loss on the other side.

4274. I am talking of the individual merchant; take myself for instance, I am not bound to buy these yarns or cloths in Manchester or Glasgow, unless I can see a margin of profit. I can hold my hand and say I will wait till a more convenient time?—Quite true. Some lose; some gain; some neither lose nor gain. Still, I cannot see how you can make a profit out of a fall in exchange without other persons losing.

4275. But I am drawing attention specially to the case of people who have invested 20,000,000*l.* in India and cannot withdraw it. I am looking at both sides of the question, because I am engaged on both sides, and as a purchaser of yarn or cloth in Manchester I need not go into a transaction unless I see a margin of profit?—Quite true.

4276. I may wait a month or two; my capital is simply lying dormant. But as regards the tea, coffee, and indigo planter, his money is sunk out there permanently, and if the rate of exchange is put up in an arbitrary manner, whereby his trade becomes unremunerative, he cannot help himself; he cannot allow his estates to run wild, or his money would be all gone?—But on the other hand there has been a great fall in exchange, and it is the other side that have been the great losers, in the case of India.

4277. You are aware that a great many companies were formed a few years ago when the rate of exchange was between 1s. 1d. and 1s. 2d.?—But those people must have had information that it was the intention of the Government of India to fix sterling at 1s. 4d.; at least if they had not definite information they must have known that that was probable.

4278. We both know a great deal about India, but my impression is that the people who went into these companies had no expectation of the rate being fixed arbitrarily at 1s. 4d., or they would not have put their money into the companies?—I know, of course, that hopes have always existed among certain sections of the community, that Government would be unable to fix exchange, and that India would be driven back to a silver standard.

4279. That opinion was held by the importers from Manchester and Glasgow and the exporters of wheat, jute, and other produce. They did not think that Government could possibly fix in an arbitrary way a 1s. 4d. rate?—That opinion was very generally held.

4280. Reports of Tea Companies and other companies are coming out just now, showing losses com-

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pared with recent years, and causing disappointment to a large number of investors in England, Scotland, and Ireland. Now, you are a practical man, and know the subject, perhaps, better than any one of us. There is a special hardship, as regards the class of investors in this country who have sunk their money permanently in tea, coffee, indigo, and so on, as compared with the merchant, who need not buy his cloth or yarn unless he sees a margin of profit. Is not that so?—That is true, but you cannot gain by a fall in exchange without others losing, in the same way that you cannot gain by a rise in exchange without others losing. That is my answer to that argument.

4281. But if the cases are on all fours?—I do not think those you have mentioned are on all fours.

4282. These large companies who have sunk 20 millions in tea, and so many more millions in other things—they must go on cultivating their estates, or their capital is gone. You have lots of jute mills in Calcutta. Now, a jute mill may not pay, but still the owners of the mill go on, in hope that times may change?—It is quite true, as you have put it, that the merchant, the middle-man, in connexion with the Manchester and Indian trade, does not lose, as the tea or indigo planter would lose, by a fall in exchange.

4283. Because he does not need to go on with his business if it is not profitable; he has his capital on this side?—No doubt.

4284. (Sir F. Mowatt.) I am only going to ask a single question on the point Sir John Muir has raised. He pointed out that planters have sunk much capital in India. That capital has been sunk gradually, during a good many years?—Yes.

4285. Part of it was sunk when the exchange was at least where it is now?—Yes.

4286. Then came a time when it was possible that the Government might be unable to support the rupee at 1s. 4d.?—Yes.

4287. The planter, as was perfectly within his right, speculated on whether that was possible, and he invested his money in the hope that it would not be possible?—Yes, so it is said.

4288-9. Therefore, it was a perfectly legitimate speculation, pitting his foresight against that of the Government; as it turns out, Government were right, and he was wrong. That is a legitimate speculation, with a legitimate result?—Yes.

4290. Now, when you come to compare the planter, is not the planter properly comparable with the producer in England?—Yes; they are both producers.

4291. And the manufacturer in England benefits by the higher rupee in the same way as the planter loses by it?—Yes. The loss on the one side must be equalised by a gain on the other.

4292. And it is practically the same thing with the consumer in India, the wearer of piece goods that go out there?—Yes. Other things being equal a rise in exchange must make European products cheaper in India.

4293. (Chairman.) Suppose the intrinsic value of the rupee had not altered; how would that have affected trade—suppose there had been no disturbance in exchange?—Suppose bimetallism had continued to exist, I should think that would have been desirable all round.

4294. I want to see how it would have affected the planter, say, of indigo or tea. What I understand you to say is, that it is a great advantage to him to have to sell his goods with a falling exchange?—Certainly. It is a temporary advantage. I always look upon these things as lasting as long as exchange falls, and possibly for some time afterwards.

4295. But suppose exchange had remained at what it was, at a reasonable figure, say 1s. 8d., and had been fixed at that figure?—Stability of exchange is desirable all round, I think. Fluctuations in exchange bring temporary gain to one section of the community, but they cause a corresponding loss to other sections. These unjust profits are temporary; whereas the ample flow of capital which stability of exchange brings is a permanent stimulus, and is beneficial all round.

4296. But does not a portion of the gain arise from the increase in the number of rupees which is received for the same description of goods at a certain gold price?—Yes. On the other hand, of course, there is the fall in sterling prices that so often follows a fall in exchange. It is the general opinion, I believe, among the mercantile community in India, that a fall in exchange leads to a fall in sterling prices. Of course that is an intricate point, and you have high authorities on both sides. I, myself, agree with Professor Nicholson—his argument, I think, has never been answered—that it is the case that a fall in exchange lowers the sterling price of Indian products.

4297. Has not the tea planter gained by receiving a larger number of rupees, his wages remaining the same?—Certainly, except when the fall in exchange lowers the gold price of tea, and he will gain by a further fall in exchange; that I frankly admit, but Government and importers pay a larger number of rupees. It is an unjust gain.

4298. Now, one word on Mr. Probyn's scheme. Mr. Probyn proposes, as I understand, "to establish a reserve of gold in India; but, in order to prevent the gold passing into circulation and disappearing into hoards (an object which Mr. Lindsay also has in view), he proposes that gold should not be coined, but that it should be kept in stamped bars of a high value"?—Yes. I am familiar with the scheme. I approve of the Government of India's view, that these gold bars might pass into hoards. Were gold bars in India interchangeable with rupees, it might be considered safer, looking to the intrinsic value of gold, for hoarders to hold these gold bars; they would be equivalent to money, being always obtainable for money and convertible into money at a fixed price.

4299. Then you think the same objection can be urged against Mr. Probyn's scheme as you urge against that of the Government of India?—Yes.

4300. It would not be so great, because there is a difference between gold bars and easily circulated gold coins; there is a greater difficulty in disposing of gold bars?—In my opinion Mr. Probyn's plan would be very much cheaper than the Government's plan, but still it is open to the objection as to hoarding, and to all the objections I have raised to locating the gold reserves in India. You have to deal with three demands for gold; for use in foreign payments, for internal circulation, and for hoarding. I propose that Government should take one step at a time, and deal in the first place with the one demand that can be separated from the others, and must be met in order to fix exchange, viz., the demand for foreign payments. It is difficult to estimate how much gold will be required for the internal circulation, and hoards. The demand for foreign remittances is smaller than either of the others, and it is prudent, in attempting to solve a difficult problem of this kind, to proceed by one step at a time.

4301. But you do contemplate their taking another step?—I believe it will be found after a few years' experience that this system of currency is so elastic, and it meets all Indian requirements so well, that the Government will adhere to the system, and make no change. It will employ the minimum quantity of gold, and the maximum quantity of silver, consistent with an exchange level of 1s. 4d.

4302. Then you do not contemplate an ultimate gold currency?—I do not.

4303. You have used the words, especially in quoting the precedent of 1819 and other precedents, that they were "preliminary to a gold currency"?—Certainly, but I agree with Ricardo that a system of currency of this kind would answer all purposes, and is economical. At the same time, I would like to point out that, if you contemplate going on a gold currency system later on, this is one step in that direction. If, as the Government of India estimate, the Indian currency requires an annual addition of 3½ crores rupees, and if, as I estimate, the token rupee can be supplied at a profit of 45 per cent., the scheme

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will yield a profit of over one million a year, which, if allowed to accumulate, might form a fund for use in establishing a gold currency in future.

4304. In other words, this would facilitate the creation of a gold currency, if it were ultimately thought to be desirable?—Yes.

The witness withdrew.

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SIR HENRY WATERFIELD, K.C.S.I., C.B., and Mr. E. R. CAVE BROWNE, C.S.I., called and examined.
(21st June 1898.)

4305. (Sir D. Barbour, to Sir Henry Waterfield.) You are the Financial Secretary to the India Office?—Yes.

4306. (To Mr. Cave-Browne.) You are the Accountant-General to the India Office?—Yes.

4307. (To Sir Henry Waterfield.) You have put in a memorandum showing the various methods that have been adopted at different times for effecting remittances from India?—Yes.

4308. That memorandum will be printed in the Appendix to the evidence. Will you explain to the Committee, orally, how remittances are effected from India at the present time?—The Secretary of State in Council, who is usually represented by two members of the Council of India, sells bills at the Bank of England, having previously announced that tenders for a specified amount will be received, and that the allotment will be made to the highest bidders. This takes place once a week—every Wednesday. Unless there is some special reason, the amount that has been announced is allotted regularly in that way; but power is reserved under the advertisement, of which I will put in a copy if desired, to withhold any sum, so that it is not imperative that the whole amount advertised should be sold. On the other hand, if thought fit, the Secretary of State has the power to sell more in the shape of telegraphic transfers, although in practice it is very rare to give more than has been announced beforehand. After the allotment has been made, both bills and telegraphic transfers are sold at rates above the price at which the bills have been sold, provided that the whole allotment has been made.

4309. (Sir F. Mowatt.) After the bills have been sold, what more can be done in the same week?—Further bills or telegraphic transfers are sold, the Secretary of State engaging that, if the whole amount advertised has been allotted, no more shall be sold except at a higher price.

4310. (Sir J. Muir.) May he not accept more than he at first indicated that he wished tenders for?—Not in the case of bills. The advertisement fixes the amount of bills, but it says that telegraphic transfers may, if desired, be issued beyond that. A good many years ago it was the practice occasionally to issue the telegraphic transfers at the public sales in addition to the bills, but for seven or eight years, if not more, it has always been the practice to issue only the amount of bills and transfers that were advertised, excepting when, for the convenience of allotment, perhaps a small amount more may be given, to prevent inconvenience.

4311. (Sir F. Mowatt.) Are these bills expressed in rupees?—Yes.

4312. Bills for rupees sold in what is practically an open market once a week?—Yes.

4313. (Sir D. Barbour.) With an arrangement that intermediate sales may be made?—Yes.

4314. But the intermediate sales are at a somewhat higher price if the full amount advertised has been already sold?—Yes.

4315. Practically the bills are put on the open market. The Secretary of State does not draw bills, unless when he wants money, that is to say, unless with the object of meeting disbursements in this country?—Certainly, that is the object.

4316. And he could not for any length of time refuse to sell bills unless he was prepared to borrow in this country?—That is so, unless his cash balances were very large otherwise.

4317. He has got to take the market rate in the long run?—Certainly.

4318. (Mr. Campbell.) Do you find by experience that the system now adopted ensures fair competition for the bills?—Yes.

4319. In advertising the amounts for tender, I think, the Government adjust the weekly amount offered during the year to the trade requirements from time to time?—Yes, as far as they are able to do so.

4320. In the busy season they generally put up for sale a larger amount of bills weekly, and then during the slack season they rather reduce it?—That is the practice.

4321. Have you any return showing the rates ruling in India at the time of the sales of Council bills?—The rates are telegraphed to us daily if there is any change, and the members of the Council who are selling the bills have before them the rate of the day on Wednesday.

4322. I suppose that statement would indicate whether the Council gets fair rates for its bills, or whether the bills go below their value?—Yes, we cannot always accept the rate which is telegraphed, and which is probably not the rate for a large amount, as being one at which it would be reasonable to expect to sell 40 or 50 lakhs; some allowance has to be made for the amount that is being put on the market at the time.

4323. Would it be possible to put in a return showing the rates obtained on Wednesdays for Council bills, and alongside of that the rates telegraphed from Calcutta on the same day?—Yes; I have it in a book here. For what time would you wish it?

4324. Perhaps for the last 20 years?—That would be rather a long business.

4325. Then say for the last four or five years. It is merely to show whether the Council gets fair rates as compared with the real value of the bills?—Very well, I will put in such a statement.

4326. (Sir F. Mowatt.) Meanwhile, can you answer from your experience whether that is so?—Yes. If you will allow me, I will read the figures for the last few weeks to give you an idea. This is the 1st April 1898. The transfer rate telegraphed from Calcutta was 1s. 3½d. The average price at which we sold bills was 1s. 3¼d., and transfers, 1s. 3¾d. On the 27th April the rate telegraphed was 1s. 4½d.; then we sold rather low—1s. 3¾d. for bills, and 1s. 4d. for transfers. On the 11th May, 1s. 4d. was the rate, and we sold bills at 1s. 3¾d., transfers at 1s. 4½d. I think we may say that in practice we sell bills at rather less than the telegraphed rate from Calcutta, and transfers generally a trifle over.

4327. (Mr. Campbell.) Of course, bills are not worth so much, because they take two or three weeks to get out, whereas telegraphic transfers give you the cash at once?—That is so.

4328. Then the Council sells intermediary amounts—between the weekly sales—at a higher rate?—Yes.

4329. But it is not bound to do so, is it?—No, it is at its option.

4330. There have been occasions when the Council have held out for higher rates than the market was inclined to give?—That is so.

4331. And sometimes they stop the sale of their bills for some time in consequence?—The sale of the bills has occasionally been stopped in consequence.

4332. I think the last occasion on which this was done to any extent was in the latter half of 1893

was it not?—In the latter half of 1893 the Council held out for a minimum rate, but the sale of bills was stopped owing to the famine last year also.

4333. They did not sell their bills because they held out for a minimum rate?—What I mean is that the sale of bills was stopped altogether at the end of 1897, because the cash balances in India would not permit of their sale.

4334. But at the time I speak of, in 1893, the Council did not sell bills because they insisted on a minimum which the market would not give?—That is so.

4335. Was sterling borrowing made necessary by the cessation of those bills?—Yes.

4336. Have you any idea to what extent sterling has been borrowed since the closing of the mints, to enable the Council to hold out?—I should not admit exactly that the sterling was borrowed to enable the Council to hold out. On the closing of the mints it was held that, if the bills were not sold below a certain rate, the market would be obliged to buy the bills at that rate. The consequence was that the remittances were not effected, and it became necessary to borrow. But all through the time it was open to the market to take the bills, and once now and then they did so when the occasion for remittance at the minimum rate arose. There was a deficiency to meet the net disbursements in 1893–94 to the extent of about 6½ millions, and practically that was met by borrowing. The total increase of debt in that year was £7,430,000, but the amount by which the remittances fell short of the net disbursements, was £6,588,000.

4337. You would consider that as representing the amount that was covered by sterling borrowing?—Yes.

4338. (*Sir F. Mowatt.*) For what time was that money borrowed?—It was permanent borrowing; it was at first temporary borrowing, but eventually it was made permanent.

4339. (*Sir J. Muir.*) Thus enhancing the interest to be met annually by India in London?—Yes, that is so.

4340. (*Mr. Campbell.*) The Council drawings have shown a gradual tendency to increase in amount, have they not?—Yes.

4341. I suppose a good deal of that is due to the increase in the sterling debt?—Yes.

4342. It represents the larger amount of interest necessary to remit from India to meet the service of the sterling debt?—To a considerable extent it does, but not entirely so.

4343. Can you give us any idea how much the normal drawings have increased during the last 20 years?—There was a very considerable rise 20 years ago. In 1875–76 and 1876–77 the bills were 12,390,000*l.* and 12,696,000*l.*; but, taking the period of 20 years which you have mentioned, in 1878–79 it was 13,949,000*l.*; in 1879–80 15,262,000*l.*; and in 1880–81 15,240,000*l.*; in 1881–82, which was an exceptional year, it was 18,412,000*l.*, the highest amount that we have ever sold.

4344. That was due to some exceptional circumstance?—Yes, there was an unusual demand for bills, owing to which it was found possible to discharge debt.

4345. (*Mr. Le Marchant.*) It has been suggested in the course of our inquiry, I think, that the Secretary of State might sell much more freely during the busy season and correspondingly reduce sales of Council bills during the slack season; what, from your experience, would you say as to that?—It is the practice to do so. I have taken out a statement for the last 20 years, and I find that the proportion in every year from June to November is about 40 per cent., and from December to May 60 per cent.

4346. I rather understood the suggestion to be that a much greater difference might be made than is made, what do you say to that?—I think there is a danger, if we announced our readiness to sell, week by week, considerably more than 60 lakhs of rupees, which is the amount usually now put on in the height

of the export season, that we should depress exchange very much, and that, although the market might tender bills to a larger amount, they would only do so at a relatively low rate, and that the object would be rather defeated—that in the long run we should not remit at so favourable a rate as we do at present.

4347. In some recent years the amount sold even in the busy season has not been up to a very high average in certain weeks, I think?—No, in the years 1895–96 and 1896–97, the variation in the latter year being due to the famine, the sales from December to May were absolutely less than from June to November; but those are the only two years in which that has occurred.

4348. The existing system may be taken to be based on general principles that the trade understand?—I think so.

4349. Do you view it as important in these transactions that as far as possible the expectations formed by buyers from their experience should be taken into account; that is to say, that you would avoid what might be called capricious changes?—Yes, I think so; but I perhaps ought to mention that it is open to the market to take much larger amounts, if they are willing to give a rather higher price, by intermediate sales, and there are many instances of very large amounts being sold. Looking back to 1882, on one occasion in a single week 190 lakhs were sold; it was just after one of the times to which Mr. Campbell referred, when we had been holding out for a minimum rate and not selling freely. Including that sale, there were 1,041 lakhs sold in 11 weeks, which is very nearly an average of 100 lakhs a week for the best part of three months. There are many cases in which we have sold over 100 lakhs, and there are more than 30 in which we have sold as many as 80 lakhs in a week.

4350. So that if a trade demand shows that remittances are required, so far as possible the Secretary of State provides it?—He does.

4351. It has been suggested at times that the Secretary of State should sell telegraphic transfers in preference to Council bills, on the ground that a better exchange rate is obtained by him, and possibly that the rupees the Government of India disburses are not bearing interest in the cash balances in India. What do you think would be the effect of practically discarding bills and giving a preference to transfers?—I am not able to say what it would be; I can only give an opinion upon it. My view is that it would result in the demand for bills being removed from the competition; that banks and merchants who wished to supply themselves with bills would look to other means of remittance, such as mercantile bills, and the demand for the Secretary of State's bills would be limited to that of persons requiring immediate remittance by telegraphic transfers, and the result of the removal of that competition would be that we should get for the telegraphic transfers only the rates that we should have otherwise obtained for the bills. We should rather bring down the telegraphic transfer rate to the bill rate than raise the bill rate to the telegraphic transfer rate.

4352. (*Sir F. Mowatt.*) You mean you really now supply the full demand for telegraphic transfers?—Yes.

4353. (*Mr. Le Marchant.*) But on general principles you endeavour to meet the wants of your customers, and upon a regular system?—Yes.

4354. (*Sir D. Barbour.*) When the Secretary of State did not draw the full amount of the bills in 1893, and rupees accumulated in the Indian Treasury, what became of those rupees?—To a great extent they were used in the development of railways.

4355. Used in the construction of railways?—Used in the construction of railways in India.

4356. Do you happen to remember the reason why so much was drawn in the year 1881–82? Was that the year in which about one million sterling of English debt was paid off?—There was a large discharge of debt, to the extent of nearly four millions.

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4357. But I am thinking of an actual paying off of debt?—You mean the one by the Commission for the reduction of debt. That was rather later. The case to which you refer was when they remitted 1,001,393*l.* at the end of 1882–83, which was applied in 1883–84 to the purchase of 990,000*l.* India debentures and 3,584*l.* India 4 per cent. stock.

4358. Is that almost the only occasion on which sterling debt was reduced out of revenue or by remittances from India?—Yes, out of revenue, by remittances from India; that is to say, to any great extent.

4359. You have put in certain statements. Will you look at the list of statements on the first page, and say how many of them you put in?—The first nine, including 9A, 9B, and 9C, are put in by Mr. Cave Browne or myself. I am responsible also for those numbered 10 to 17, but they are mostly taken from Mr. O'Connor's own book, so that perhaps they may be considered as put in by him and me jointly.

4360. There is one point I should like to ask you a few questions about. I wish to attempt to settle as accurately as we can what might be called the amount of the normal drawing of the Secretary of State at the present time. I thought that that might be done most conveniently by asking you a few questions with regard to the estimate of expenditure and disbursements in England in the present year. There is a column headed "Net disbursements excluding discharge of debt and all capital transactions." That shows that the Secretary of State required for that purpose this year 16,595,800*l.*?—Yes.

4361. Then there is a further column "Capital outlay on railways and irrigation works" for which he required this year, or is estimated to require, 1,119,900*l.*?—Yes.

4362. Then in connection with "Net receipts from or withdrawals by railway companies on capital account" he required 943,000*l.*?—Yes.

4363. The total of those three items is 18,658,700*l.*?—That is right.

4364. That is the total sum he would require for all purposes, according to the estimate for the current year?—Yes.

4365. The amount estimated to be drawn from India is 16,118,000*l.*?—16,000,000*l.* to be drawn by bills and telegraphic transfers, and 118,000*l.* to be received from the Imperial Government in this country.

4366. Under what head does that come?—That is in table 9A.

4367. Is not that included under the head "Net disbursements"?—No; 9A gives the detail.

4368. Is this it: "Repayment of miscellaneous advances in India on account of the Imperial Government"?—That is 108,000*l.*, and there is a small sum of 10,000*l.* for the Mombassa expedition.

4369. So that the Secretary of State will require about 2,500,000*l.* more than he expects to draw from India?—Yes.

4370. That amount is intended to be met by borrowing?—Yes.

4371. Now the total amount that he had to pay away was 18,657,800*l.*?—That is so.

4372. That includes capital transactions on account of railways?—It includes them.

4373. It includes all capital transactions?—Quite so.

4374. So that it would not be fair to take that sum of 18,658,700 as what I might call his ordinary requirements?—I am not quite sure that you can exclude the withdrawal of capital by railway companies, because in previous years he has received the money for that payment.

4375. I am trying to make out how much the Secretary of State would require to draw this year from India in order to meet his ordinary liabilities, excluding capital transactions?—Excluding capital transactions, that amount of 18,658,700*l.* is more than he would require; and, if you exclude all capital transactions, you come back to the 16,595,800*l.*

4376. But these figures, 1,119,900*l.* and 943,000*l.*, in connection with the payments for railways, I think include the expenditure entered under what is called the "Capital suspense account"?—Yes.

4377. And I understand that this expenditure is mainly, if not altogether, expenditure on stores in this country which are required for railways in India?—Yes, almost entirely.

4378. If these stores are required we will say for the construction or the substantial extension of railways, their cost is ultimately charged to capital?—Yes.

4379. If on the other hand they are required to replace stores the cost will ultimately be charged to revenue account?—Yes, if it is for maintenance and so forth.

4380. New rolling stock, new engines, and so forth, required to replace those which are worn out?—Yes, if it is merely a replacement, not an improved type of engine.

4381. Is it possible for you to say how much of these two sums is ultimately charged to capital account and how much to revenue?—No, I have tried to trace that, but I cannot give it.

4382. If we could ascertain the amount ultimately charged to revenue, we could get, approximately at any rate, the normal drawings of the Secretary of State, excluding capital transactions?—Yes.

4383. The amount to be added in that way would be something substantial, no doubt?—Yes, certainly, from half a million to a million, I suppose, at any rate.

4384. If it were from half a million to a million, the normal drawings at the present time, excluding capital drawings, would come to from 17 millions to 17½ millions sterling, being the sum of 16,595,800*l.* which we first dealt with, plus a further sum of from 500,000*l.* to 1,000,000*l.*?—I think so.

4385. Then you have put in certain other statements. One is "Statement of receipts and disbursements of the Home Treasury," which goes into some of the details. It is for 1897–98, and for the Budget of 1898–99. I do not know whether you wish to offer any explanation with regard to it, or to make any remarks. It gives more details than are given in Tables 9 and 9A?—That is the one from which I have been speaking. I have nothing more to say about it.

4386. Then there are two other statements. One, "Statement showing the total amount of the sterling payments made in this country in each of the 20 years from 1878–79 to 1897–98, on account of interest and annuities; the apportionment of those payments to railways and irrigation works and to interest on ordinary debt, on an assumption that the amount of all capital outlay on such works has been borrowed in this country; also their equivalent in Rx. at the average drawing rate of the year." Have you any remarks to make as to that statement?—That is a statement prepared by the desire of the Chairman of the Committee; and, as the title explains, it is based on an assumption, which is that all payments in England for capital stores have been met by borrowing in this country. The policy of the Secretary of State in 1868, when the Government first entered on the system of constructing State railways, was that the capital charge should only be met by borrowing effected in India. So far as the despatches go that has been the normal policy, although on certain occasions it has been impracticable to pursue it, and resort has been had to borrowing in this country. But, as it happens, the figures work out so as to show that the increase of the ordinary debt and the amount of capital outlay are very nearly equal; and, therefore, it is perhaps a not unreasonable assumption, to say that the capital outlay has, in fact, been met by sterling borrowing. If that view is taken, then it must be held that the expenditure on other exceptional transactions, such as war or famine, has been almost entirely met in India.

4387. I understand the state of affairs to be this, money was raised in India or provided from revenue or in some other way?—Yes.

4388. And, in addition, money was provided in this country by sterling borrowing?—Money has been provided in this country by sterling borrowing in addition.

4389. But the guaranteed railways provided it?—Yes, to a certain extent.

4390. This includes guaranteed railways?—No, this is entirely outlay for State railways.

4391. Only State railways?—Only State railways.

4392. But surely this includes State railways that became State railways by being purchased from the guaranteed railways?—So far as there has been outlay on them since the purchase.

(*Mr. Cave-Browne.*) And also when there has been specific debt raised in this country by means of which we purchased them.

4393. (*To Sir Henry Waterfield.*) The net result is that the total addition to debt in this country is how much?—The total increase of debt in 20 years is 63,598,000*l.* sterling, and the total debt assumed to have been incurred by productive public works, adopting the method in which the Chairman desired that the statement should be prepared, is 61,036,000*l.* Mr. Cave-Browne reminds me that I perhaps ought not to say that the Chairman desired to have it in this form; he asked to have a statement prepared, and this was the nearest approach we could make to the statement he desired.

4394. Then there is a further statement “showing the amount of Indian sterling debt at the commencement and close of each of the 20 years from 1878–79 to 1897–98, the increase or decrease in each year, and the portion of that debt contracted for railways and reproductive works, on the assumption that the amount of all capital outlay on such works in England has been borrowed in this country”?—That is one of the statements from which I have been speaking. It shows the increase or decrease annually, and the total increase at the foot.

(*Mr. Cave-Browne.*) The one is a statement of debt, and the other is a statement of the interest on the debt.

4395. (*Sir J. Muir to Sir Henry Waterfield.*) The interest on the debt at what rate?—At the rate that was paid on each class of stock existing during the year. It gives the charge at the rates actually paid during the year.

4396. (*Sir D. Barbour.*) I think you had some figures prepared to show the charge for exchange?—I do not know that I can do better than refer to the statement of income and expenditure which is presented annually to Parliament. It is entitled “Return of the net Income and Expenditure of British India, under certain specified Heads, for the 11 years from 1886–1887 to 1896–97.” It shows under each group of heads in the account the charge for exchange on the net sterling expenditure. Taking the figures for the last year, 1896–97, the amount is 10,222,256*l.*; but there are three other directions in which the expenditure of the year is affected by the rise or fall in the rate of exchange. First of all, the pay of the European soldiers was fixed in 1874 in Indian money at rates based on the conversion of the rupee at 1*s.* 10½*d.* In 1884 the subject was reconsidered, and it was held that they ought to receive the equivalent in rupees of the sterling sum for which they had made their engagement, at approximately the rate of exchange for the year; and this has been carried into effect since that date. The additional payment to the British troops on this account in 1896–97 was Rx. 1,103,200. Then secondly, when the mints were closed, and it became clear that the action of the Government would prevent the gold value of the rupee rising above a certain point, it was deemed necessary to give the European officers some compensation. Roughly speaking, it was held that on one-half of the pay there was no need to give any, as it might be deemed to be the amount spent in India; but that the other moiety might be viewed as requisite for remittance to

England in support of the officer's family or for saving and investment in a manner which sooner or later might result in remittance to England, and that on this half of the pay compensation was needed. Accordingly it was agreed to give the officer such an additional sum of rupees as would enable him to remit to England one-half of his salary at 1*s.* 6*d.* per rupee, the sum so held available for remittance in no case however to exceed 1,000*l.* a year. Every quarter an order is published giving the rate of exchange and the corresponding percentage on salary which is to be allowed during the next three months in order to admit of this compensation. In the year 1896–97 the exchange compensation allowance amounted to Rx. 935,176. Then, thirdly, the Government is under various engagements by which it receives money in one currency, on condition that it pays the equivalent at fixed rates in the other currency. Such are the transactions with railway companies, postal and money orders, emigration bills, &c. There is always a gain or loss in these payments, which is entered in the accounts as exchange on remittance transactions. In the year 1896–97 there was a gain of Rx. 144,233. The net result, therefore, of the four items—the exchange on net sterling expenditure, in the pay of the European soldiers, in compensation allowance, and on remittance transactions—was a charge for exchange of Rx. 12,116,399.

4397. That is as compared with what the charge would have been if exchange had been 2*s.*?—Not exactly that.

4398. But in the case of the bulk of the expenditure that will be the case?—In regard to the exchange on the net sterling expenditure, which forms the bulk, it is the amount which must be added to the sterling figure in order to obtain the number of Rx. that it costs to defray it. It is not correct to call it the loss by exchange, but it is the addition which has to be made under the heading of exchange, in order to convert the amount of sterling into the corresponding amount of Rx.

4399. Can you give any estimate of what the additional charge would be roughly if the exchange were to fall 1*d.*?—Do you mean by only 1*d.* from 1*s.* 4*d.* to 1*s.* 3*d.*, or at what level do you take the fall of the penny?

4400. It is merely to indicate the effect on the finances of a rise or fall in the exchange. Of course the charge varies with the level of the exchange, but you might take the estimated rate this year, or take 1*s.* 4*d.* to 1*s.* 3*d.*, that is quite enough?—The cost of 1,000*l.* remitted at 1*s.* 4*d.* is Rx. 1,500. If remitted at 1*s.* 3*d.* the cost is Rx. 1,600, and the increase is about 7 per cent.

4401. But what I would like to get, and it would be convenient for the Committee to get, would be a total figure showing about how many more rupees the Government of India would have to find under present conditions if the exchange fell from 1*s.* 4*d.* to 1*s.* 3*d.*?—At the rate of 1*s.* 4*d.*, 16 millions sterling cost Rx. 24,000,000. At 1*s.* 3*d.* 16 millions sterling is equivalent to Rx. 25,600,000. The additional charge in consequence of the fall from 1*s.* 4*d.* to 1*s.* 3*d.* on a remittance of 16 millions sterling is Rx. 1,600,000.

4402. And if you made a similar calculation for all the other items the total would be considerably more than that, would it not?—Do you refer to a remittance of 18 millions.

4403. If you take the exchange compensation account, and the pay of British soldiers, and so on, it would be more?—Oh yes, it would be more undoubtedly.

4404. I do not know whether it is possible for you to make the calculation?—Not exactly, but I can give it roughly.

4405. It is over Rx. 2,000,000 I think?—Without difficulty I think I can show you what it cost in the year when the rate was about 1*s.* 3*d.*

4406. The circumstances change from year to year. I would like you to take the estimates for this year and calculate the additional number of rupees required

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at 1s. 4d. as compared with 1s. 3d. Can you give the Committee an idea of what effect the rise or fall of exchange has on the finances?—Yes, I think it may be taken at from Rx. 2,100,000 to Rx. 2,200,000.

4407. (Mr. Campbell.) One question as to the so-called loss by exchange. I see there is an item of Rx. 4,240,340 expended on stores. Does that really mean an expenditure in London of 4,240,340?—No. That is in Rx. It is the value in tens of rupees of stores imported into India. The sterling expenditure would not be nearly so much as that.

4408. Then the exchange is added to the sterling amount so as to bring it into rupees?—It is not quite accurate to say that the exchange has been added. It is the value of the stores as shown on the invoices when imported into India. There would be a considerable difference between the sterling price and the rupee price.

4409. So that in sterling it would appear at somewhere under 3 millions?—Yes.

4410. Then as regards the sterling loans, which have been raised during the last five years, amounting to somewhere about 20 millions altogether?—About 17 millions.

4411. The interest on that would amount to something not far from 600,000*l*. How would you deal with the loss by exchange there?—I do not quite follow the question. There is no loss by exchange. In the payment of interest on sterling debt—you must allow me to correct you—there is no loss by exchange, but the exchange arises on the remittances from India to pay that interest, which is one of the largest items of disbursement in this country.

4412. The exchange on that 600,000*l*. at 1s. 4d. would be roughly about 30 lakhs?—Yes.

4413. Seeing that exchange has never been over 1s. 4d. since that money was borrowed, would it not follow that there has been no loss by exchange at all?—Your point is that the capital which that represents has been remitted to India at 1s. 4d., and that the bills necessary to pay the interest have been drawn at 1s. 4d.

4414. Exactly?—There is no loss by exchange in such a case. Assuming that the debt was raised at 3 per cent., the remittance to pay the interest would be exactly 3 per cent. on the value in rupees of that capital.

4415. In your accounts, would the return of that remittance from India figure as a loss by exchange to the extent of 30 lakhs of rupees?—No, we do not call it loss by exchange. To turn a payment of 600,000*l*. into Rx. 900,000, you must put down in the one column 600,000*l*. and in the next column exchange Rx. 300,000, and the total is Rx. 900,000; but it is not correct to say that that Rx. 300,000 is loss by exchange.

4416. But is not that Rx. 300,000 included in Rx. 12,000,000 that you gave before?—As exchange, but not loss by exchange. I am anxious to make that clear.

4417. (Mr. Le Marchant.) I think you have a definition in your statement of the phrase that you

would use. You call it the number that has to be added; you expressly do not call it loss by exchange. It is very commonly called loss by exchange. I think that is misapprehension?—The column in the table of Revenue or Expenditure is headed simply "Exchange"; and the only case in which it is accurate to speak of the amount of the Exchange as a loss, or, as is more usual, a gain, is in respect of the entry under the heading "Exchange," in the group entitled "Miscellaneous." That is a real gain or loss.

4418. Will you read that particular definition?—"The column headed 'Exchange' shows, under the several heads of Revenue and Expenditure, which include transactions in England, the exchange thereon calculated in accordance with the average rate obtained for bills and telegraphic transfers during the year; or, in other words, the number necessary to be added to the figures of the transactions in England, to turn the pounds sterling into tens of rupees at the average rate of exchange."

4419. Then what is material, is the alteration from year to year of the number?—Yes.

4420. In the financial statement from India there is an analysis of the interest. Could you state that in brief form?—The account has been a little amplified during the last year or two, in order to make it clear what was the meaning of a minus quantity being entered as the interest on ordinary debt in India, and the manner in which it is now entered I think shows it clearly. The interest on debt is divided between India, England, and exchange, in the following way. These are the figures for 1896–97. Interest in India, Rx. 3,753,460; England, 3,825,177*l*.; Exchange, Rx. 2,527,806; total, Rx. 10,106,443. Then there is deducted the amount which is chargeable to railways and irrigation works, and it happens that, while in England and in exchange only a portion of the total charged is debitable to such works, in India the amount considerably exceeds the total charge for interest. The public works are held to be liable for interest on their debt to the extent of Rx. 5,126,880, and the consequence is that the remainder, which is chargeable on ordinary debt, is in India minus Rx. 1,373,420, while in England there is a charge of 2,630,704*l*. and exchange is Rx. 1,738,458, making a total of Rx. 2,995,742. That is the explanation of the manner in which interest on the ordinary debt in India as shown in the accounts is a minus quantity, the reason being that the portion charged to public works exceeds the total charge in India.

4421. (Sir D. Barbour.) It is a mere formal charge?—It is a formal charge in order to show how far outlay in India on public works keeps pace with the increase of debt.

4422. (Mr. Le Marchant.) In the result it appears to indicate that the interest chargeable against public works, productive public works, exceeds the charge for interest so far as that portion of the debt is concerned?—Yes; it only refers to railways and irrigation works.

4423. But those are treated as returning it. It is charged against their revenue?—Yes.

Adjourned.

NINTH DAY.

Monday, June 27th, 1898.

PRESENT :

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

THE LORD BALFOUR OF BURLEIGH.
 SIR JOHN MUIR, Bart.
 SIR FRANCIS MOWATT, K.C.B.
 SIR DAVID BARBOUR, K.C.S.I.
 SIR CHARLES CROSTHWAITE, K.C.S.I.
 SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
 MR. EVERARD HAMBRO.
 MR. W. H. HOLLAND.
 MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

MR. THOMAS NORTH CHRISTIE and MR. WILLIAM MARTIN LEAKE called and examined.

4424. (*Chairman to Mr. Christie.*) What is your exact description?—I am a Ceylon tea estate proprietor, and I own property in Ceylon.

4425. Do you now reside in London?—Just at the present. I have just come back from the East.

4426. You are a Ceylon resident?—I am a Ceylon resident.

4427. (*To Mr. Leake.*) What is your description?—I am Secretary of the Ceylon Association in London.

4428. (*To Mr. Christie.*) How many years have you been engaged in the tea trade in Ceylon?—I have been in Ceylon 24 years.

4429. Has the tea trade in Ceylon been established for more than 24 years?—No, it is comparatively of recent growth. When I first went to Ceylon the staple product was coffee, and coffee having failed tea became the staple product.

4430. It is an industry which has grown very rapidly?—It has grown very rapidly.

4431. Can you give me any statistics as to its present position—the number of acres that are planted—and so forth?—The acreage is probably (including tea acreage that is not yielding crop) between 360,000 and 370,000 acres.

4432. What would be the amount of tea which those estates would produce?—The amount last year was about 116,000,000 lbs., and probably this year it will be a little over.

4433. What would be the export value of that?—The export value of that would be just now, on the average, 7*d.* per lb. landed in London. It is difficult to quote it in rupee currency.

4434. You can give it me in sterling?—The average of that landed in London would be about 7*d.* per lb.

4435. The currency of Ceylon is rupees?—It is the Indian rupee.

4436. And the Indian anna?—No. There is a local subsidiary decimal coinage.

4437. What is the next coin lower than the rupee?—The 50 cent piece (practically half a rupee) and the 25 cent piece, and the 10 cent piece.

4438. You take the rupee as consisting of 100 cents?—Yes.

4439. What is the smallest coin that you have?—We have some subsidiary copper which goes down, I think, to a half cent, but our smallest silver coin is 1 cent.

4440. That is one-tenth of the rupee?—One-tenth of the rupee.

What was the position of the currency and of the tea trade in Ceylon, and what was the position of the

tea trade, prior to the closing of the mints in June 1893?—The position of the currency was exactly that of the currency of India as you might imagine, and the position of the tea trade was one of great prosperity.

4442. Prior to June 1893?—Prior to June 1893. I would not confine that to the tea trade simply; I would say the export business of the Colony generally. Tea, although the staple, is, of course, by no means the only industry.

4443. We had better, I think, take first the tea trade singly. You say in June 1893 the depreciation in the intrinsic value of the rupee and the fall of exchange had not acted prejudicially on the tea trade?—Quite the reverse.

4444. Will you explain to the Committee why the falling rupee and the fall of exchange was of advantage to the tea trade?—It was an advantage in this way. The prices of products that we grow, especially tea, are practically gold prices; they are based on their London selling value; and for a given sterling sum the producer received with a fall in exchange a larger number of rupees; he found that his expenditure practically hardly rose at all, and yet he received an augmented number of rupees and consequently benefited in proportion to the extra number of rupees that he received.

4445. In other words, I suppose he paid the same wages as he paid before, but owing to the fall in exchange he received a larger quantity of the currency in which the wages were paid?—Yes, if you assume that he was a wage-paying producer. Of course, there are many producers who are not wage-paying producers. If he was a wage-paying producer he found that the expense of production practically remained the same, and that he was receiving a larger number of rupees than he was receiving before for a similar sterling sale.

4446. Are the bulk of the growers exporters direct, or is there an intermediate merchant who buys the crop and exports it?—The bulk is shipped to London, but there is a considerable Colombo buying and selling business.

4447. The bulk of it is sent to London direct from the estate?—Yes.

4448. I suppose these estates are held, to a great extent, by companies, or are they in private hands?—I could not say off-hand what the proportion is. There are a large number of companies, but the bulk of the tea cultivating area is still held in private hands.

4449. Now, let us take it from the very beginning, and see what the operation is from the time of the

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laying out of the tea estate and its cultivation down to the export of the tea. What is the cost of labour during that period?—You can sum it all up by saying that it is coolie labour where the producer is a wage-paying producer.

4450. How is it when the producer is not a wage-paying producer?—There are native producers, ryots or peasants, who gather their own crop and pay no wages at all. They, of course, share equally with the wage-paying producer.

4451. Of the wage-paying producers, I suppose the great majority are the tea companies?—The tea companies and large individual planters.

4452. Now suppose we start with a tea estate, what is the first operation?—If you are beginning at the very beginning, you have to buy the land, and naturally the price of land for tea estates varies just as it would for any other production depending upon its situation and supposed fertility. Then, having bought the land, you have to clear it.

4453. That is labour?—That is labour. Then you have to plant it; that is labour again. You have to put up the necessary buildings and maintain it for about three years, and then you begin to get some crop. The moment the crop comes in you have to put up a factory and erect machinery in order to deal with it.

4454. Does that machinery come from England?—Almost entirely. Some of it is of local manufacture, but most of it comes from England.

4455. To pay for that machinery you have to remit rupees at gold price?—The cost of machinery is practically measured in gold.

4456. Is there much expense in the manipulation of the crop after it is gathered?—The chief item of expenditure with tea is the actual gathering. That costs more than any other single operation.

4457. Can you give us the percentage?—I should say it costs from 30 to 40 per cent. of the total.

4458. Then the crop being gathered and being made ready for the market, you ship it direct?—We ship it. As I say, there are a certain number of owners who prefer to sell in Colombo; but the great bulk of it is shipped direct.

4459. What interval elapses between the gathering and the sale of the crop?—Two to 2½ months, roughly.

4460. What is your harvest time? When is the tea gathered?—We have tea coming in all the year round; but our busiest season is April, May, and June, and again November and December.

4461. How was the tea trade affected in the first instance by the closing of the mints?—It was affected in direct proportion to the rupee being affected. When the mints were first closed, as you know, the effect was comparatively little, and it was only as the rupee went up that the evil influence was felt. When the rupee reached the vicinity of 1s. 4d. the falling off in the margin of profit became extremely serious; in a few cases it has practically disappeared altogether.

4462. Taking those estates where it has practically disappeared, what was their condition prior to the depreciation in the value of silver?—They were not in existence.

4463. You think the low rupee called them into existence?—I would hardly put it in that way; but the profit which could be got from tea cultivation brought estates naturally into existence.

4464. But has not the price of tea fallen?—The price of tea has fallen.

4465. Has that had no effect upon the profits?—Of course it has had an effect on the profits; but then a good deal of that fall in price may be traced to exchange too. The loss to the producer is not to be gauged only by the immediate loss which he makes in drawing a sterling draft, and getting a smaller number of rupees for it to-day than he got two years ago. That is his first and direct loss; but in addition to that, there is one that is equally serious, and that is, that owing to the premium which our great rivals get in countries that have a bullion currency, or, in the

case of Japan, a country that has almost a bullion currency, they are enabled now to put tea on the markets that we were attacking and conquering, they are enabled to put that tea on those markets at an extremely low rate which we cannot compete against. Out of our last year's crop of 116,000,000 lbs., probably another 4,000,000 or 5,000,000 would have gone to consumers on the Continent, and in America and Canada; but we were kept out of those markets by the ability of the Chinese to put in a decent tea at say 4d. a lb., which we could not compete against. Had we been on even terms of exchange, that would not have happened; we should have been able to put our tea into those markets, and probably relieved the English market of 4,000,000 or 5,000,000, with the result that we would have been able to maintain prices.

4466. Can you give us the prices of tea in the different years?—They have all been put in tabular form here.

4467. Will you just read them out now? Go back to the date when Mr. Goschen reduced the duty?—The gold price and the silver price, of course do not follow.

4468. No. You say practically you sell in the London market at a gold price?—That is the standard which fixes it.

4469. I suppose I may take it that England is your great market?—England is our greatest market.

4470. Now will you give me the prices?—In 1883 the price of Ceylon tea was a little over 15d.; in 1884 it was a little below 15d.; in 1885 it went up again to above 15d.; in 1886 it dropped to a little above 13d.; in 1887 it was at 13d.; in 1888 it went down to 11½d.; in 1889 it was at 10¾d.; in 1890 it was at the same; in 1891 it was at 10d.

4471. 1891 was a year of very low exchange, was it not, and the situation became very acute?—No.

4472. At any rate in 1892 it had?—No, we had a run up then. In 1892 it was 9½d.; that was a very much lower exchange than the previous year. Then in 1893 it was at 9d.

4473. That was the year of the closing of the mints?—Yes. Exchange in 1893 was practically the same as in 1892. Then in 1894 the price of Ceylon tea was 8½d.; in 1895, a shade higher; in 1896, 8¼d.; in 1897, 7¾d.

4474. That is the lowest?—That is the lowest. Then for the first 16 weeks of 1898 there has been a slight rise.

4475. (*Sir F. Mowatt.*) Is there anything peculiar about those weeks; is there anything peculiar in that part of the year to explain the rise?—No, I think not. The crop has been a little short this year.

4476. (*Chairman.*) During this last few years has not your export very largely increased?—Yes, it has very largely increased.

4477. Will you give us the figures?—Will you have the imports into London, or the exports from the Colony?

4478. I would rather have the exports from the Colony, because that covers the whole field. Will you start with the same year 1883?—It may be said that 1883 was just the beginning of the enterprise. There was about 1,000,000 lbs. only in that year.

4479. 1,000,000 lbs. exported altogether?—Altogether.

4480. (*Lord Balfour of Burleigh.*) Are you sure of that figure?—It was 1,641,810 lbs. That was the exact quantity in 1883.

4481. Where is that figure taken from. It does not correspond with the figures given in the Statistical Abstract?—Do you refer to a Ceylon Statistical Abstract?

4482. The Statistical Abstract of the United Kingdom gives the exports of tea from Ceylon 1,666,423 lbs. —There is a difference of 20,000 I should be more inclined to place confidence in Ceylon figures than in a British compilation. course there is the chance that this may

You start with this fact that your transactions are entirely on a gold basis and you sell in London?—No, the price of our Ceylon produce generally is undoubtedly on a gold basis, but our transactions are chiefly silver. We sell in a gold market and we produce for another country where the currency has been silver, and with a low exchange we have received a larger number of rupees and our margin of profit has been greater.

4539. I quite see that, but do you wish us to understand that the margin of profit in your tea trade entirely depends, or in the main depends, on your getting more rupees for the sovereign?—I do not put it as baldly as that; it is relative. If the market price went up 6*d.*, that would be a factor that would quite preponderate over a rise in exchange of 1*d.* or 2*d.*, but at the present moment the increase in the gold value of the rupee, above the lowest point that it has reached, has very seriously handicapped all the producing interests; It has knocked down profits directly. Then, of course, there is the indirect, and hardly less serious, and probably much more permanent influence, of the bullion silver currency countries getting this premium on all articles either of agricultural production or minerals or manufactures in which India and Ceylon are competing against them.

4540. I do not want you to go to India, we have the concrete case before us of the tea trade of Ceylon, and I want to deal with that alone. As I understand, we have had an increased production in Ceylon?—Yes.

4541. We have had a decreased purchase of tea in this country from China. Your market in England is increasing year by year and month by month. You sent more tea last year to Great Britain than you ever did before, and, I think, China sent less?—Very little less.

4542. I am old enough to remember when the proportions as between India and Ceylon and China were 80 and 20, now I think it has turned gradually round, and in round figures the production from India and Ceylon is about 89 per cent. of the whole?—It is about nine-tenths.

4543. With China your competition is increasing. You are having more and more year by year the command of the market?—No, it is not that. Up to the closing of the mints we were on even terms with China, and we drove China practically out of the English market.

4544. I am at this moment upon quantity not upon value. I may be right or I may be wrong, and I want you to correct me if I am wrong, but my point is this, that the quantity of tea from Ceylon is increasing and has increased since the closing of the mints, and that the quantity from China has decreased and is decreasing. Am I right or wrong in that?—You are right; but it is certainly not the case that either of those conditions has been effected to any extent by the closing of the mints.

4545. The closing of the mints has not aggravated your competition?—Oh, yes, greatly.

4546. I want you to show us how. Let us take the two concrete cases, China and Great Britain. Great Britain buys from you more than she buys from China. Why? Because you sell the best article at the lowest price?—Yes, I should think that is it.

4547. Then you have the upper hand of China in that respect?—No, not necessarily. The consumer, I think, might consider that he would now get better value for his money when China is offering at 4*d.* and ours at 6½*d.* He may have thought so when China sold at a higher rate relatively; but when China tea can go down and we cannot, we must suffer. But I do not fear for the English market to any great extent. We shall keep China out of the English market now because we have driven her out. We have disturbed the usual lines of trade as regards England and China, and one does not fear that unless something serious happens to British grown teas, China can ever again re-assert herself in England.

But our great and increasing production hoped to find a number of other markets where China has an enormous hold, and we had expected, and I think with some justification, that if we competed with them on even terms we should have done very much the same in those other markets as we did in the English market—to the detriment of China and Japan, no doubt, but to the benefit of our Colony and therefore of Great Britain. The exports from China to the United States and Canada are still over 50,000,000 lbs. We have made comparatively little progress there. During the last year we have made very little impression. Yet we are dealing with English-speaking people, people in intimate relations with ourselves, and we say our progress ought to have been very much greater. What is the reason of our failure? China can put her tea into those countries at 3½*d.* or 3¾*d.* a lb., and we cannot do the same, and consequently the consumers there consider that they get better value for their money. They do not necessarily consider that China tea is better than Ceylon tea, but at the price at which the two can be offered to them they think they are getting better value for their money. The same thing applies to Russia. The export from China to Odessa only, not counting what goes through London, which is a very large quantity, is 22,000,000 lbs. We have made very little progress there during the last couple of years.

4548. (*Sir F. Mowatt.*) Do you know what Ceylon exports to Odessa?—It has been a very jumping export. The year before last it was only 760,000 lbs., and last year it was, I should say at a guess, 1,600,000 lbs.

4549. (*Chairman.*) Has not the supply something to do with that? At the present time could the present Ceylon estates supply the large quantity that they do supply to Great Britain, and also supply the American and Russian market?—At the present moment British grown tea could not provide tea for the whole of the civilized world. Of course we never expected to push China tea out in one year. It took us 10 years of steady fighting to do that in England.

4550. Does not England now take practically the whole of your production?—No.

4551. How much does she take?—I should think this year the Ceylon tea sent to outside markets would probably aggregate at least 15,000,000 lbs. We supply about 50 per cent. of the tea consumed in Australia, and there again but for the competition that China is now able to hold we would have pushed in more there; but China tea is poured into Australia at under 4*d.* a lb., and we cannot push it out there, unless we accept a price that would be a ruinously low one.

4552. But what I cannot understand is this. I can understand your argument with reference to Australia and America, but I cannot understand why that argument does not apply to Great Britain. There is the same discrepancy of price. The Chinese grower can sell his tea here at 4*d.*, and you cannot sell yours under 7*d.*, and yet you are ousting the Chinaman altogether in the dearest market of the world?—We had ousted him.

4553. Does that make any difference?—When you have once broken the back of a business like the China tea trade to England for English consumption, it is difficult for it to rise again.

4554. Not with such an enormous discrepancy as nearly 100 per cent. on the price?—People have got accustomed to one thing, and they will not go back to the other. I may say that we only retain the English market now by accepting a very low price.

(*Sir A. Dent.*) May I say, Mr. Chairman, that you are talking as if all China tea was sold at 4*d.* a lb. There is a great deal of China tea sold at 9*d.*, 1*s.* and 2*s.*

4555. (*Chairman.*) I am expressing no opinion about it. I am simply pointing out that China appears to be ousting you in America, and the reason of that you say is that they can sell cheaper than you

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can?—We are failing to oust them. They are in possession of the field.

(Chairman.) Very well; we will take it in that way.

(Sir J. Muir.) That is the correct way to put it, I think.

4556. (Chairman.) Will you tell me the difference in price between America and this country?—Wholesale it is just the same as here; retail it is much cheaper, because there is no duty.

4557. Is there not a customs duty on tea in America?—No. The finding of the Ceylon Currency Commission is one I wholly agree with on the point we have just been discussing.

4558. Then will you read it to us?—"Ceylon tea is produced solely for export, and it is not improbable that its production would be continued for a considerable time, in spite of almost any fall in price; and the effect of this exchange premium in China's favour would therefore be manifested less by any remarkable increase in the export of China tea or displacement of Ceylon tea than by a prolonged reduction in the price of tea to a figure which was so low as to prevent Chinese growers, even with a premium of, say, 1½d. or 2d. per lb. in their favour, exporting with profit. It is impossible to forecast or give any trustworthy opinion on the extent of the injury likely to be done to Ceylon tea and other products competing with similar products grown in silver currency countries, as the extent of the injury hinges on the extent of the divergence in rupee values before referred to; but there is no doubt that if the divergence were large, these Ceylon products would only retain their markets by accepting prices so low as to seriously impede the prosperity of the largest producing classes in the island." At the time that that was written by the Ceylon Commission it was rather a prophecy; but it has proved to be so entirely true, that we have only maintained our markets by accepting a low and almost unremunerative price.

4559. Is this rise in the value of the rupee affecting the flow of capital into Ceylon?—It has led to the withdrawal of capital from Ceylon.

4560. How has that been done?—Two influences are at work, one is the feeling of uncertainty—the desire to take advantage of a higher rate, to remove capital. That is one influence which has led to capital being taken out of the Colony. The other is the feeling on the part of those who are mixed up with Ceylon matters, that a permanent 1s. 4d. rupee would permanently mean the crippling of the trade and the diminution of profit, and their desire to get their capital out of the country before the situation was realized by the public generally.

4561. Anyhow, the effect has been in your opinion that capital has been sent home?—Undoubtedly.

4562. And there is a fall in the value of tea estates?—A great fall in the value of tea estates.

4563. And a fall in the value of the shares of the tea companies?—A great fall.

4564. And a fall in the dividend paid by the companies?—Yes.

4565. Are you in favour of establishing a gold standard in India?—The difficulty of answering a question like that, yes or no, is to know what is behind the gold standard. If a gold standard could be achieved at a rate which was, and which eventually proved to be about equal to that of silver, if the rate of exchange proved to be (which is practically an impossibility) the same as that of silver, one would have no objection to a gold standard. But when a gold standard has behind it the artificial raising of the rupee and the undoubted fact that it does not affect China or our rivals at all, I think the establishment of a gold standard which artificially raises the rupee would be extremely injurious.

4566. Your objection to it is upon the ratio, not upon the principle?—I would establish for every country whatever is found to be the best standard for the circumstance of that particular country. I cannot

imagine that there is any magic in gold, silver, or copper. If it was proved that for the people of India a gold standard or any other metal would be best, I would say take that standard. There cannot be any particular magic in one metal over another.

4567. There is such a thing as a difference in its market value in the markets of the world?—But if you pre-suppose that the standard you select is the one that is the best for the circumstances of the country and the people of the country, I cannot see that it is really a matter of any importance what metal you take.

4568. You mean internally?—A currency is only a means towards an end.

4569. But suppose 80 per cent. of the trade of India and Ceylon is with gold-using countries, would that modify your opinion at all?—No. Of course I am at a disadvantage in giving you a straightforward answer to that, because I do not know what the ratio would be.

4570. No one knows that at present; but what I understand you to say is this, that you object to a gold standard if it is based, as you say, upon an artificial raising of the rupee?—That is the chief objection.

4571. For instance, supposing there was a gold standard introduced into India on the principle, say, of 20 rupees to the sovereign, as there are 20 shillings to the sovereign here?—Would you see any objection to that?—I see no objection to that as long as the silver value of the rupee remained the same. I would see ultimate evil to India if the dollar or the tael went down another 30 per cent., and you were still anchored on to what turned out to be an obsolete ratio.

4572. Then are we to understand from you that your Associations desire that the mints should be re-opened under the old conditions?—I may say as regards my representative capacity that I represent the Chamber of Commerce of Ceylon, and the Planter's Association of Ceylon, and the Government of Ceylon were desirous that I should represent the views of the country generally. Speaking on behalf of all these people I say that we desire the currency that is best for the people, and that we believe a silver bullion value currency was the best. My own personal feeling is that a reversion to that now would be rather revolutionary. I strongly advocated a silver bullion currency as being the best and most suitable method for a country like Ceylon and India; but I hesitate to unqualifiedly advise the re-opening of the mints. I think they might be opened with qualifications. One essential is that the people even at a slight cost should be able to get currency when they require it. At present they cannot. If you re-open the mints with certain qualifications which might bring in profit to the Government and might incidentally even keep the rupee above its bullion value, you will provide the people with a means of getting currency when they want it. They might have to pay a 1d. or 2d. per rupee more than they should have to pay, but, still, they can get currency when required. It will have the advantage of linking you to silver, though at a distance, and no longer give China or Japan—China chiefly—any further advantage. You would know the worst as regards the competition you had to deal with. If you put an artificial value on the rupee with a charge for seignorage or an import duty of 2d., you would know that China had always as much as 2d. advantage and no more; if silver fell that advantage to China would not further increase. That would remove one great objection to this artificial currency. I would much rather have a bullion currency, and the mints open unqualifiedly, than the present state of affairs.

4573. Even if silver went down to 6d. an ounce?—Even if silver went down 6d. an ounce, or if it went up half as much again.

4574. (Lord Balfour of Burleigh.) I do not quite understand the opening part of your memorandum. Have you any complaint to make of the action of the Government of India in connexion with currency

matters?—It is difficult to say that one has any complaint. Ceylon voluntarily at some past period was linked to India, and took to the Indian currency. The Indian Government was in no way to blame for the fact that Ceylon used the Indian currency, and when the Indian Government wished to alter their currency, that was a factor that they were hardly called upon to consider. It was a sort of hardship; we were forced into the currency changes which were brought about, and in which we were allowed no voice.

4575. Then taking the position of matters at which we have arrived, have you any definite recommendation to put before us—any substantive proposals to make?—I recommend the re-opening of the mints with qualifications.

4576. Will you indicate what qualifications you mean?—In order to make the re-opening less revolutionary, I would put an import duty on silver, and a seignorage on the coining and minting of the rupee, making each of these charges practically equal one to the other.

4577. Would you develop that a little further for me, and say how much duty and how much seignorage you would impose. I understand you to say that both of these devices are to be used together?—Yes, if you put it all on the seignorage, you give a great temptation to false coinage, and if you put it all on import duty, you unfairly raise the value of silver in the country, and you would, for some time at any rate, fail to give much benefit to the Government; the Government would make no profit out of the mintage.

4578. For what it is worth (which I express no opinion upon), you would not raise the value of silver beyond what people had given for it when they purchased it, in all probability?—I do not quite follow that.

4579. If it is the case, as no doubt it is, that large quantities of silver have been hoarded in India for years, that silver must have been obtained at a time when the ratio of value was nearer the gold than it is at present?—It was not obtained for gold, it was obtained for produce, and unless you could go back (which you cannot) to the rates of produce of the days when these accumulations began, you cannot make any comparison.

4580. The silver was obtained, but whether the sacrifice was made in gold or in produce, to get the silver required a greater sacrifice we may say, than it would do at the present time?—I could not say that that would be the case.

4581. I will not follow that out further, because it does not seem to me to be very material; but I want to get from you exactly your view as to the relative amount of import duty and of seignorage?—I would make them equal. Instead of having a seignorage 2*d.*, or an import duty of 2*d.*, I would put down 1*d.* for each.

4582. Do you think that in advocating that you are a representative Witness of your Chamber of Commerce?—I cannot say that I put the matter exactly before the Chamber of Commerce, I can only say that the Chamber of Commerce would prefer that to the present state of affairs.

4583. Has either of those proposals been discussed publicly in Ceylon, or ventilated in any way, so that others outside your Chamber of Commerce, or others having different interests to those of the Chamber might have an opportunity of expressing an opinion?—The whole currency question, of course, excited great attention at the time of the closing of the mints, and various proposals have been considered. We are in intimate geographical connexion with India, we employ many of the natives of India, and generally we take great interest in the goings on in India, and those who are interested will have seen the various proposals that have been made, and so far as I know, there has been no objection to such a proposal. I cannot say that the Chamber of Commerce in Colombo, or the Planters' Association have formally adopted it, but

they have not objected. My own experience in Ceylon is considerable. I own property out there, I have sat in the Legislative Council for a good many years, and, speaking generally, I think that such a scheme would be acceptable.

4584. You obviously know a good many things about it that I do not know, and perhaps I ought to know, but let me ask you this, would the geographical situation of Ceylon, and its being an island, have any bearing in your mind upon the question, whether a duty on silver would be easy to enforce or not?—That, of course, is one reason why I prefer to halve the charges. There is no getting out of the seignorage, at all events. A certain amount of silver—it would certainly be a very little—might be smuggled in on the arrival of passengers, but it would be very small; no appreciable quantity would be brought in.

4585. As far as preventive agency is concerned, would the imposition of a seignorage or the prevention of smuggling be the easier?—We need not go into that question because under no circumstances is it suggested that Ceylon should mint rupees. We hang on the Indian currency, and should not mint rupees so that it would not be necessary as regards Ceylon to have an import duty or anything of the kind.

4586. Would you agree with me if I suggested to you that part of the drop in price from which tea has been suffering recently was due to over-production?—Yes, I would agree with you that the fall in prices was due to the supply being greater than the demand. Of course, I go on a step further and say that the supply to these markets would not have been so overwhelmingly great if we could have forced our tea as we expected to be able to do into America and the Continent.

4587. Do you know in your commercial experience any trade that has developed with the rapidity that the Ceylon tea trade has developed in the last few years?—That is difficult to answer off-hand, but I may say that the spinning and weaving industry in China has developed I should think at about the same rate. Then I would instance the development of the petroleum industry.

4588. Can you tell us what was the percentage of the increase between 1882 and 1886?—For a good many years, roughly, we went on adding about 40 or 45 per cent. to our previous year's trade.

4589. It is about 1,100 per cent. larger now in the case of tea than in 1882?—It was created then; it was just started.

4590. Practically, as we all know, it has taken the place of coffee?—Yes.

4591. And I think you are entitled to say (I thought, indeed, that it would probably have been your answer) that, but for the failure of coffee it would not have been possible to develop tea at this rate?—Had coffee remained profitable much of the land that is now in tea would have remained in coffee.

4592. The wages have not increased in number of rupees paid according to the variations of exchange in Ceylon?—No, they have not increased.

4593. You think the labourer has gained in two ways as I understand; by the cheapening of some things that he uses, and by greater privileges being giving him by the employers?—Yes. I should explain that it is the common custom on estates, almost the invariable custom, to supply rice at a set rate, and that consequently a rise in the price of rice does not affect the labourer. The loss, if any, falls on the employer.

4594. Has there been a rise in rice?—Last year there was, of course, owing to the Indian famine.

4595. I want to estimate the position of the labourer in any of the earlier years—I will take 1882, 1883, or 1884—and 1894 or 1895, before the famine in India. Could you show at all in what particular ways his condition would be benefited?—Of course his condition has benefited by the extension of our railways and our means of transport. Undoubtedly some of his supplies would have gone up in cost had the means of communication not been greatly improved. Then his

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material condition has been greatly improved owing to greatly increased and much more efficient medical and hospital attendance. We have an elaborate system of district hospitals and medical attendance.

4596. For which he pays nothing?—For which he pays nothing.

4597. Does he use to any appreciable extent articles which are imported into Ceylon?—Yes he uses almost entirely imported articles, but the bulk of them come from India, so that the currency change does not affect them. During the last few years to some extent his cotton goods have come from a local mill, but that has collapsed in the course of the last few months, and now those goods will no doubt be drawn from the Far East or from England. But the fall in gold price has more than counterbalanced the difference in exchange there. The one index of the labourer's prosperity is really the number of days that he works in the month, and we find that a labourer there is an industrious man if he works 20 days in the month; the average do not do that.

4598. But does he work more or less number of days now than he did 10 years ago?—The man works less; it is due to the fact that he makes his wife and daughters work and aid him, but the man undoubtedly works less.

4599. I was not confining my question to the individual man; I would rather find out what was the condition of the man and his belongings?—They are better off. The wage-earning capacity of a family working on a tea garden is greater than it was working on a coffee plantation. The children can pluck tea leaf, which is an extremely easy and congenial employment, and they could not do that in the case of coffee.

4600. Then the change in that respect in the way of increased leisure, if I may so call it, of the labourer arises from the change in the staple article from coffee to tea?—As regards the aggregate families' earnings, it is so, but the man himself is just as industrious, or rather the reverse of industrious, as he was 20 years ago.

4601. Suppose, now, with your experience, you wanted to employ a test to find out whether the labourer and his family were or were not better off now than they were 20 years ago, what test would you apply?—I should apply a good many tests. One great test is the stream of immigration. Practically, all our resident labourers are Indian immigrants from Southern India, and if there is the least adverse influence the stream turns, and they go back to India. If they are prospering and well to do, the stream increases to Ceylon, and we have found in recent years that the stream has reached the maximum. We have never had such a stream before as we have now. Of course, I am not speaking of the famine years.

4602. It is a purely natural stream both ways, is it not?—It is natural in the sense that we have no indentures. It is absolutely voluntary. It is aided by our Government having an immigration staff and attending to the immigrants, carrying them on the railways at lower rates, and so on; but it is purely voluntary. There is no indenturing, or anything of that kind.

4603. What other test would you apply, because I conceive that it might occur—I do not say it does—but it might occur that if there were an increase of adverse circumstances in the place from which the people were coming, the relative advantages of another place might tempt them?—Quite so, and in the famine years in India that has no doubt been the case. Then I may say that on the up-country railways the number of third-class passengers has enormously increased, showing that the people are able to afford to travel. Then, again, our up-country arrack revenues have increased.

4604. That is a local product?—Arrack is a local product. It is a product of some small export too. It is a spirit distilled from the cocoa nut palm.

4605. (Sir F. Mowatt.) You have said that the alteration in the purchasing value of the rupee does

affect the tea planter and the expense of tea gardens. You have given us some items of which the expenditure consists, and I should just like to ask about one or two of them that I did not quite clearly understand. In the purchase of land now to be taken for tea growing, has the price increased for the last 10 years?—The price of waste land has increased, owing to the scarcity of suitable land for tea, and the demand being great.

4606. In the buildings required for your gardens, the materials to some extent are imported, I think?—In some cases. If your land is forest land, you have an ample supply of timber on it, and most of your buildings are timber. If you have not, you probably buy iron roofing, which comes from Europe. In erecting a factory you might buy iron girders, and so on.

4607. And your machinery?—Your machinery is to a very great extent English.

4608. Then with regard to your superintendence; have you European factors?—You have European managers and assistants.

4609. Their wages, I should assume, are affected?—No, they are all paid in rupees.

4610. But you do not get a man from England for the same rate when the rupee is low as you do when the rupee is high?—Yes you do. As a matter of fact, there are far more men offering than there are places for. The change in the gold value of the rupee has not affected it. With greater prosperity and the greater opening up of land, there was a greater demand for competent managers and competent assistants. Now, during the last six or eight months, the reverse process has set in. There are a great many establishments being reduced, and salaries being reduced, merely owing to the want of prosperity.

4611. You say that the general prices in Ceylon have not since 1893 risen?—No.

4612. That is not quite consistent, is it, with your Currency Commissioners' Report. They say, in paragraph 20, "With reference to the possible re-adjustment of local wages and prices measured in silver, while we find that there is in Ceylon a slight tendency towards increasing wages, and a more general tendency towards increasing prices (after taking duly into account local exceptions and certain prices which have decreased), such increase bears no actual proportion to the progressive decline in the gold price of silver." That rather looks as if there had been some rise in prices?—Either I misunderstood your question or you did not frame it properly, because you said, since 1893 has there been a rise, and I replied no.

4613. But is this report of the Ceylon Currency Commission dealing with something before 1893?—The Commission sat immediately after the closing of the mints.

4614. Since that there has been no rise?—No.

4615. Now, I understood you to say that the effect of the artificial value of the rupee was that it threw difficulties in your way in forcing out the China tea from the United States and Russia?—That is one great thing.

4616. That is to say, that you could have sold at a lower price than the China tea that is now offered there?—No. The China tea could not have been offered at as low a price if it had been on the same footing as ours.

4617. But we can have nothing to do with the price China charges?—Assuming that we had been on even currency terms we could not have feared China.

4618. If you had been on even currency terms with China that would not have affected the price China could sell at, and therefore, you would have to fall down to her present price in order to undersell her?—Yes.

4619. And that would be mainly because the price of labour in China would have remained unaffected by the fall of price, that is to say, if their wages went up with the low value of their dollar, they would have

been in the same difficulty as yourselves?—Yes. China tea production is of course a totally different one to ours. The export of tea from China to other parts of the world is just a mere incident in its production. No one knows what the total production is, but it is many times the amount of the export. The Chinese do not grow for export. They grow their tea chiefly in little gardens, the peasants gathering it themselves. There is no question of wages in most of the gardens. They export if they can get a good profit. If they do not export, the tea disappears into the country; it is assimilated amongst themselves.

4620. Is silver really used for the purpose of paying Chinese labour? Is that the currency of China? Is it not really the copper cash?—The actual coin that may be handed to a wage-earning labourer, if there are such in these little peasant tea gardens, may be copper cash, but the silver which the exporter at one of the tea ports can give for a given quantity of tea depends upon what he knows to be the London price of a similar standard of tea, and what the exchange of the day is between wherever he is buying and London.

4621. That is without reference to the price paid to the labourer?—The houses that ship tea from China, know nothing about the wages paid to the labourer in China. They know that if they can offer a certain number of taels per picul, they can get this tea, and then in reckoning that number of taels to the picul they reckon what it will cost in sterling, and they agree to buy the tea, and they draw a sterling bill for the necessary amount.

4622. Still, the Chinese finds it worth his while to export at a price upon condition that he can produce the tea at a lower price?—The present ruling prices of China tea are such as enable the China producers to go on exporting.

4623. Now, would you accept this, which is a report from Shanghai of the effect of the currency upon a rise in prices. This is from Mr. Jamieson, Her Majesty's Consul-General at Shanghai, under date the 31st January 1898: "It may be said that at the present moment in Shanghai it requires at least \$3 to procure the same articles of daily use as could formerly be procured for \$2. It is, I think, probable, that some of the articles quoted may be unduly appreciated at the moment from temporary causes." Then "In 1887 the value of the cash is taken at 1,000 per dollar. In 1897 the average exchange was 860 per dollar." The increase per cent. in silver prices of various articles is given thus: Rice has increased 49 per cent.; flour 82 per cent.; charcoal, 54 per cent.; chickens' eggs, 66 and 62 per cent.; pork 36 per cent.; fish, 58 per cent.; vegetables, 70 per cent., and so on through the list. So that it would appear, whether it is due to the alteration of the currency or no, the price of labour in China has risen under circumstances which you say in Ceylon have not affected wage rates at all?—If your figures, as I gather, refer to Shanghai, of course there is no comparison. The rise in prices there would naturally be great. The greater the number of European ships that call there and require these supplies of poultry and eggs and vegetables, and so on, the greater is the artificial demand set up. We have the same artificial demand in Colombo. That is a great coaling port now, and I know that you can no longer buy a fowl or an egg there at the price that you could years ago, before so many vessels called there. I should presume that Shanghai was a great place for game and food more or less in the nature of luxuries for passengers, and, of course an increased number of passenger steamers calling there means an increase in the price of those articles. But I should not regard that as an indication of what is taking place a few hundred miles in the interior. The reports that were specially obtained at the time of the closing of the mints, and which are embodied in the report of the Ceylon Currency Commissioners, are to quite the reverse effect. For instance, Consul Jamieson reported that the silver price of commodities in China had been

remarkably steady. The Secretary of the British Legation at Pekin said: "We may assume that fair China tea can at present rates be laid down in London at 5d. a lb., and common tea at under 3½d. per lb. If exchange goes lower, of course the price will drop more or less." There is a similar report from the Consul at Foochow, Mr. Consul Watters.

4624. That was in 1893?—That was in 1893.

4625. The figures I read to you refer to 1898?—If they are Shanghai figures, I would not accept them as being typical of China.

4626. (Sir J. Muir.) You have told us that a large portion of your Ceylon labour is done by Indian coolies?—Yes, from the Madras Presidency.

4627. About what proportion?—Practically all the resident daily wage-earning people. The only exceptions I know, are the Sinhalese contractors who are chiefly carpenters and artisans, and some of the villagers come in for the day; but practically all the resident labour on the Ceylon estates is Indian emigrant labour from Madras.

4628. Can you give me roughly the number of people that come?—There is a constant stream in and a constant stream out, and the excess of arrivals over departures has been very great in recent years. I could send you details, but I do not happen to have them here.

4629. Then I have before me the letter addressed by the Ceylon Association in London to Mr. Chamberlain, Her Majesty's Secretary of State for the Colonies. In paragraph 2 they say: "Ceylon has not, like India, several leading staple products. How dependent the Colony has been on her one staple product, not only in the matter of her general prosperity, but also of her public revenue, may be shown in a few words. In 1877, when coffee was still flourishing, the revenue amounted to Rs. 17,026,190." That is correct, is it?—Yes, it rose to that from Rs. 12,000,000 a few years ago.

4630. What did it fall to afterwards?—The revenue hovered from 1882 to 1886 at Rs. 12,000,000.

4631. So that these were the black days of Ceylon. Is it the case that a very large number of the owners of estates became insolvent?—Yes.

4632. And the estates of those who were compelled to sell had to go for very little?—That is so. You are speaking of coffee estates?

4633. Yes; and the effects of the failure of coffee are reflected in the revenue?—Yes, they are reflected in the revenue.

4634. How long have you been in Ceylon?—24 years.

4635. You were in Ceylon during the period of great prosperity in coffee?—I went there shortly before it ended. I shared slightly in it; and I shared fully in the worst times.

4636. Had it not been for tea, can you think of anything else that might have saved the island from ruin?—I can think of no other great staple trade that would have done for Ceylon what tea has done.

4637. So that tea has really been the salvation of Ceylon, and has raised it from ruin, owing to the failure of coffee, to the high state of prosperity it now enjoys?—Yes, it has raised it to the highest state of prosperity it has ever known.

4638. What revenue does the Government get now from Ceylon?—Rs. 24,000,000. It is double what it used to be.

4639. And you ascribe that large success, do you, to tea?—I ascribe it to the prosperity of the producing interests; and of those producing interests tea is the great one. Of course, there are others.

4640. Then, in paragraph 7, the Ceylon Association says: "China, meanwhile, retains her silver currency; and as the 1s. 4d. rupee is nearly 7d. above its intrinsic silver value, it is clear that, at equal gold prices, Ceylon will, in competition with China, stand at a disadvantage, on this year's crop alone, of a million pounds sterling." What disadvantage, do you consider Ceylon suffers by the 1s. 4d. rupee as compared with China?—It is very difficult to answer

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that. You cannot estimate the disadvantages as regards our displacing China tea from other markets. It could only have been a matter of opinion as to whether, if we had been on even currency terms, we should have displaced 5 or 10 millions from America and the Continent; and on that, of course, hinges a great deal of the adverse effect. As regards the direct difference, a fall of 20 per cent. in exchange means about 10 million more rupees to Ceylon to the producer.

4641. Then, in paragraph 8, they say: "The Ceylon "and Indian tea industries, when competing on fair "and even terms on a silver currency, were able, "without difficulty, to drive China tea out of the "home market"?—That is correct.

4642. You ascribe that to the superiority of the Indian tea, and the greater favour that it obtained with our people in Great Britain and Ireland?—Yes, they thought they got better value for their money.

4643. Then you were asked whether you thought there had been over-production of tea?—My view on that is that there has been over-production in the sense that there has been a larger quantity put upon the home market than the home market is capable of absorbing without a lowering of prices; but had we been on even currency terms with the other countries, probably all of that excess quantity would have gone into consumption in America and Canada and the Continent.

4644. That is the point I wanted to bring out. I understand there is a very strong feeling among Ceylon planters that, but for this 1s. 4d. rate, the great efforts you have made in the United States must have been successful. I understand that great efforts have been made in the United States?—We have been spending a great deal of money there.

4645. Trying to force Ceylon tea into consumption, and to displace in America China tea with Ceylon tea, just as you succeeded in doing in Great Britain?—Yes.

4646. Then you were meeting with some measure of success in doing that?—Yes, we were.

4647. But you now fear that the terms on which you must compete with China tea will place you at a great disadvantage?—Yes.

4648. And that it will not be possible now to make the headway you otherwise might have done?—Quite so.

4649. Then you have been making efforts also in Russia to introduce Ceylon tea and to displace China tea?—Yes.

4650. And with some success also?—Yes, with some success.

4651. Up to what date did that success continue?—Well, the progress has been extremely slow. We have not made anything like the progress we believe we would otherwise have made. I myself, more or less as a Commissioner on behalf of the Ceylon tea-growing industry, went to Russia, and I found that the great demand was for cheapness. They have a crushing import duty there, and they get comparatively little good China tea. The great bulk of what they take is common China tea, because it is cheap.

4652. In paragraph 10 the Ceylon Association say it feared that British capital may be drawn towards China, and that, if that come about, the competition of China will be all the more formidable in the future. Is that your view?—No, I cannot say that I share that view.

4653. Have you heard if much capital is going into this line of business in China?—I have not.

4654. Are you aware that some parties with considerable capital are considering the propriety of taking their managers and experienced assistants from India and Ceylon to China; have any been taken at all from India to China?—I am aware of one Ceylon planter who went from Ceylon to China at the request of one of the companies to report to them as to the best means of improving their manufactures. That is the only thing of the kind that I know of.

4655. (Sir D. Barbour.) What percentage of Ceylon tea is produced by small men who do not pay wages?—Oh, very small as regards tea.

4656. Something quite insignificant?—Certainly not more than 3 per cent. I think the last time I reckoned it I considered it was about 2½ per cent.

4657. You say that the price of tea estates has lately gone down in Ceylon?—Yes.

4658. There was a great rise in tea estates about four or five years ago?—It commenced before that.

4659. In 1894–95?—It commenced before that. There was a continuation of the rise up to about 18 months ago.

4660. The price began to go down about January 1897, according to a paper that I have?—It is difficult to say the exact date, but up to 18 months ago there had been a distinct rise for a good many years.

4661. But was not there a special move about two years ago?—There was more English capital offering to purchase estates then than there had been before.

4662. And that meant higher prices?—That meant higher prices, and tempted a good many individuals to sell.

4663. I see, in a paper that I have before me, that there has been a great fall in the local price of tea estates in Ceylon?—That is right.

4664. Money has been very tight, I suppose, recently in Ceylon as in India?—Yes, 16 per cent.

4665. And that, apart from other causes, would help to put down the shares of the tea companies for a time?—Undoubtedly.

4666. If money had been easier, the shares would not have fallen so seriously?—Not so seriously.

4667. As regards the evils arising from fluctuations in exchange: I suppose you would always have objected to fluctuations in one direction—upwards?—As far as I recollect, what I said was, I do not object to fluctuations in the market.

4668. But you would not like the fluctuation to be always upwards?—Certainly not.

4669. How many years has Ceylon been trying to get her tea into the United States?—A good many years, but she has been making very determined efforts during the last three years, spending what you may call public money in trying to push it.

4670. I think India did the same thing years ago?—To a less extent.

4671. Some years ago, I mean?—Yes, there were efforts made, and they failed. I do not think there were any special efforts made.

4672. Have you made any progress in getting Ceylon tea into the United States?—We have made disappointing progress.

4673. You have made some?—We have made some, but it is disappointing.

4674. Then I see, in your memorandum, that you challenge the statement of the Government of India in which they say, "that a country makes no gain in "international trade by depreciation of its standard, "since the extra price received for its exports is "balanced by the extra price paid for its imports." You do not agree with that?—Well, it starts on wrong premises. It assumes that those premises apply to India, which they do not.

4675. What premises?—That the extra price received for exports is balanced by an extra price paid for its imports. The two do not balance.

4676. But the Government of India there was referring to international trade. What does India get, then, apart from the articles of commerce, to which that argument does not apply?—It assumes that the money value of your exports, and the money value of your imports, are exactly the same, and that if there is a 10 per cent. addition to your income from exports you are going to spend that 10 per cent., or must spend that 10 per cent. on your imports, and that it is equivalent to saying to a man, "I will "give you an addition of 100*l.* a year, but I will "raise the rent of your house 100*l.* a year." That would be no gain whatever. India, as we know,

has a large benefit from her exports exceeding her imports.

4677. Has the Government of India anywhere said that the Indian exports do not exceed the imports?—They assume it in that argument.

4678. What they say is, "that a country as a whole, makes no gain in international trade by depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports." That is, so far as the exchange of commodities for commodities goes—you say India exports a certain quantity of articles in excess of imports, what does she get in return for the excess?—She gets a larger number of rupees than she had before.

4679. A larger amount of silver?—No, a larger number of rupees. At the present day you can hardly call it silver.

4680. But now with the rise in exchange she gets a larger amount of silver for the same number of rupees?—What I mean is that for every fall of exchange a larger number of rupees were received by the producer than he received when exchange was higher.

4681. But he paid a larger amount when he purchased?—But he had a much larger balance to the good which he was saving.

4682. The surplus of Indian exports over imports is about Rs. 40,000,000 a year in normal times, excluding gold and silver. With a portion of that, India purchases silver at the present time. She imports a certain quantity of silver. I dare say you are aware that she now gets that silver very much cheaper than she got it before?—Yes.

4683. So far as she imports gold she gives fewer rupees for it since the exchange has risen?—Yes.

4684. There is no loss, therefore, as regards the gold or the silver. She uses the balance of her surplus to pay her gold obligations in England, and the amount of the produce she gives will depend on the gold price of that produce in England, and has nothing to do with exchange. Therefore where is the gain to India, as a whole, from the fall in exchange, or the loss from the rise?—I certainly maintain that with India spending a certain amount of money on produce, it still has a considerable surplus which is saved by the people, the people's accumulations do not come from the air; they are a margin over and above all the requirements of the country, and if they get a larger number of rupees for a given quantity of produce it enables them to add to those accumulations. Those accumulations, as I say, come from somewhere, and they undoubtedly come first as they would in the case of an individual who was saving on his income; they come from there being over and above all the liabilities of India some margin which remained. The people got with a low exchange a larger number of rupees for that margin, and were able to effect that accumulation. We see that the Indian figures practically bear that out. Their deposits went on increasing to a larger amount, and no doubt their hoarding also.

4685. But might not that have arisen, not from the fall in exchange, but from other causes; for instance, the extension of railways?—It came at the same time. When there was a fall in exchange, the prosperity of the Indian people seemed to jump up accordingly.

4686. If the exchange falls, and the producer in India gets a larger number of rupees, he gets a larger number of rupees because they are proportionately less valuable?—They are proportionately less valuable to a commodity which he never deals in, namely, gold; they are not less valuable to him as regards his local requirements, or as regards giving his wife and children what they want.

4687. So long as prices do not rise?—So long as prices do not rise, or, at all events, so long as they do not rise in proportion to the increased amount which he gets.

4688. As regards the increased competition of China, are you aware that China has borrowed considerably lately?—Yes.

4689. At a high rate of interest?—Yes.

4690. She must pay the interest on that debt, I suppose?—She ought to. I am not prepared to say that she will.

4691. Also railways are being made in China?—Yes.

4692. And I suppose it is expected that the interest on that capital will have to be paid too?—Presumably out of railway revenue.

4693. It will have to be paid by China in some form or other. Now if China has all that interest on debt, and interest on railways to pay abroad, she must export more produce to pay it?—She ought to.

4694. There is no other way in which she can pay pay it, is there?—Not if she pays it.

4695. That would stimulate exports from China?—Assuming that at the present moment there is not a sufficient margin to cover that.

4696. But I imagine that the present margin is only about sufficient for the present day?—There is one conclusion, it would seem to me, underlying the argument you are putting, namely, that railways, instead of being a benefit, are an evil.

4697. I do not say that; the railways may be well worth paying for. All I am putting forward is that she must export more to pay her debt?—If she pays it.

4698. And possibly, among other things, she might export more tea?—Quite so.

4699. So that the increased export of tea in that case would be due to the greater indebtedness of China, and not to the fall in exchange. I do not say the whole increase of her exports, but a portion of the increase of her exports of tea and other things?—I would not agree with that reasoning at all. I should say that having to export more to meet foreign payments, tea will form one of the exports owing to the fact that exchange is so low that she can do it with profit. Without that low exchange she might have exported other products to have made up that charge.

4700. Do you think it would be possible for Ceylon to separate from India in the matter of standard?—No, that would be practically impossible.

4701. (*Sir C. Crosthwaite.*) Has the fall in the gold value of the rupee necessitated an increase of taxation in Ceylon?—No, there has been a slight increase. There was a slight increase some years ago, due to the failure of coffee; but there has been no necessity for an increase of taxation owing to the fall in the gold value of the rupee.

4702. Then the Government of Ceylon has not been involved in any embarrassment owing to the fall in silver?—No.

4703. In that respect Ceylon differs very much from India?—Yes.

4704. The Government of Ceylon has no connexion with the Government of India?—None.

4705. No increase of taxation in India would affect the planters of Ceylon in any way, would it?—It might. For instance, the export duty upon rice, of which Ceylon is, I may say, the largest customer of India, would affect the Ceylon planter.

4706. But the export duty has not been increased, has it?—No.

4707. If there was a much heavier taxation in India which would seriously affect the condition of the classes of people who supply you with coolies, it would rather be for your advantage than otherwise. For instance, if the salt tax were doubled in Madras, and the condition of the coolies in Madras were made less prosperous, they would be more likely to emigrate and come to you?—Any oppressive taxation in the coolie districts would, of course, tend to send the coolies away from there.

4708. You say that since the fall of the rupee has occurred you have not increased the wages of your coolies?—No.

4709. You pay them in money—altogether in money?—We have to supply rice at a set rate, but the balance is always paid in money.

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4710. Do you supply full rations of rice to the coolies at a fixed rate?—The usual estate rule is that for five days' work a week the coolie gets a quarter of a bushel, which is supposed to be his week's food. As a matter of fact it is more, but that is what is given.

4711. And for five days what would be his full pay?—He would get five times 33 cents, if he was a man; that would be 1 rupee 66 cents.

4712. What would be the price of the rice which he would get?—One rupee.

4713. He is paid 1 rupee 66 cents, out of which 1 rupee goes in rice?—That is presuming that he has only worked five days.

4714. And that rice you supply at a fixed price?—Yes.

4715. Can you tell me what the price is at which you supply the rice?—Four rupees a bushel.

4716. When was that price fixed?—That price has ruled, I should think, for a long time, certainly before I went to the country.

4717. How long ago is that?—24 years.

4718. Then the price of rice was fixed 24 years ago?—Prior to 24 years ago. Except in exceptional cases, that has been the standard.

4719. And it is now given to the coolies at that fixed price?—Yes.

4720. Rice forms the main proportion of the coolie's food, does it not?—Yes.

4721. And on that showing it would take up nearly three-fourths of his pay?—Three-fifths.

4722. Three-fifths of his pay would go in rice, and that is supplied at a fixed rate, which rate was settled more than 20 years ago?—Yes.

4723. Do you think the price of rice is the same as it was 20 years ago?—It has slightly risen.

4724. Do you get it chiefly from India or Burmah?—Chiefly from India.

4725. Then a reference to the Indian prices of rice would show how much your coolies' wages have risen during that time?—No, hardly; because the prices I quote to you so fixed 20 years ago applied there to many estates where the transport was heavy and the local charges great, whereas although there has been probably a greater increase in the Indian price of rice, there has not been a corresponding increase in the Ceylon price, owing to the improved means of communication and cheaper transport, and the export duty in India and import duty in Ceylon remain the same.

4726. That decrease in the cost of transport has all gone to the planter?—It has enabled him, certainly, to continue to supply rice at the old rates.

4727. In other words, it has gone to the planter?—I would not say it has gone to the planter. I say it has enabled him to continue the standard rate without raising it.

4728. It has not gone to the coolie?—Well, it has enabled the coolie to get the rice at that standard rate which he might otherwise not have got.

4729. Let me put it in another way. Do you think, if you had not given them rice at that price, you would have been able to keep them at the same wages as they had 20 years ago?—I think so, probably, although with the greater competition for labour there might have been some difficulty.

4730. I think you drew a distinction between dividends that have been received of late years by the new companies, the companies that have been formed by amalgamating the smaller tea estates, and the dividends received by the older established and smaller companies?—Not necessarily smaller.

4731. Not necessarily smaller, but older established companies?—Yes, they paid a much less capital value for their acreage than the more recent companies did.

4732. The more recent companies, I suppose, like most companies that are formed by amalgamating small businesses have got a very fancy capital?—No, it is not a fancy capital. It is a capital based upon the profits that were then being yielded by tea. It seldom went above seven years' purchase.

4733. Seven years' purchase of the then profits?—Of the then profits.

4734. I suppose the old holders held out for a considerable profit?—I imagine that those who had developed the gardens themselves from the beginning, and sold in the last 2½ years have made a very considerable profit out of those sales.

4735. That is to say, they got very much more than the capital they originally invested in the gardens?—Yes, in that sense.

4736. And that being so it is only reasonable to suppose that these new companies would get less dividends?—Yes; a company buys on a basis of so many years average profit and then capitalises that at six, seven, or eight years' purchase.

4737. But I suppose the shareholders, unless they are very sanguine, never expect to get the same dividend that the former owners of the property got?—Of course not.

4738. Then it is hardly fair to quote the dividends in those cases as smaller dividends arising from the Indian currency measures?—No, it would not be fair, and I hope I did not do that. What I say is that the older companies declared larger dividends. I only remember two exceptions of companies that have maintained their dividends last year—two of the old companies, strong companies. The great bulk of the companies, either old or new, have had to fall this last year.

4739. Still, the old companies were able to divide between 12 and 16 per cent.?—15 per cent. is the highest that I know of, and that is only paid by one company.

4740. There is a point I want to ask about with reference to coolies. You now provide them with hospital and medical assistance. That is provided at the expense of the planters, is it not?—There is a sort of grant in aid. A small duty is levied by the Government upon the European products, if you can so call them, and that is a set-off. The Government pay a portion of it. It is a Government establishment, really.

4741. (Sir A. Dent.) It is compulsory, is it?—Our labour law compels us to provide a month's medical attendance.

4742. (Sir C. Crosthwaite.) It is done under law?—Yes.

4743. (Sir A. Dent.) We all know, from the recent correspondence that we have seen, and from what has appeared in the newspapers, that the people of Ceylon attach the very greatest possible importance to this inquiry?—They do.

4744. I suppose you have read the memorial of the Planters' Association of Ceylon, that of the Ceylon Association in London, and the "Memorial of the undersigned inhabitants of Ceylon"?—Yes.

4745. Judging by the signatures appended, I should think they comprise nearly all the leading firms in Colombo?—Yes.

4746. Are there any prominent members of the community in Colombo who have not signed that memorial?—None that I know of.

4747. A great point has been made in the previous questions put to you as to the dividends that have been made by the companies, both local and English companies. But is it not a fact, which I think you have admitted before, that the great bulk of the tea industry is really in the hands of private persons?—The majority of it is in the hands of private individuals.

4748. And therefore the doings of these companies are not necessarily a true index of what is going on in the country?—It is an index, but unless you know something about their capital cost and how the company was formed it would not be very reliable.

4749. It depends on what the company paid per acre. One company has its estate standing at say 100l. an acre, and another at 20l. an acre, so that the dividend paid by companies is surely a very poor test in many cases of the real out-turn of the tea estate?—Relatively it would be so. Of course, if

they all rose you might assume that they were all affected by some favourable influence, and if they all fell you might assume that they were all affected by some adverse influence, although the fall or the rise would not necessarily be in the same proportion.

4750. One or two questions were put to you, I think, about the machinery of an estate, the cost of buildings, and the cost of superintendence. But those three items, I think you will admit, form a very small factor in the cost of a tea estate?—Yes.

4751. Machinery is only a matter of a few hundreds or thousands of pounds, according to acreage, the cost of which is spread over a series of years?—That is so.

4752. So that the estate has benefited hardly at all by the rise in exchange in getting this machinery?—There is a very small set off.

4753. In the matter of wages, it is said that wages are very much the same now as they were before; but is it not the fact that on Ceylon planters' estates the coolie and his family have really benefited very considerably by the more continuous employment they have had?—That is the case.

4754. In the coffee days they worked for a few months only, and then went back to India, but now, when tea is flourishing, the coolie and his whole family are always employed on the estate as long as they choose to stay there?—They get more regular employment now than they used to get.

4755. The coolie is very much better off than he was, and that is in many ways equivalent to a rise in wages?—He is better off.

4756. Lord Balfour asked you some questions the production of tea. I have a memorandum here which gives the import and deliveries of Indian, Ceylon, and China tea from the 30th June 1885 to the 30th June 1897; in a few days I shall get the figures up to June 1898. Though there has been over-production, these figures, with which you are no doubt as familiar as I am, show that the deliveries in the United Kingdom have always kept pace with the imports?—Yes, deliveries are quite satisfactory in that sense.

4757. But my point is, that though there has been over-production in one way, this country has always taken off all that has been sent to her, and to-day, I believe, the stock is less than it was this time 12 months ago?—Of course I cannot say that I would accept deliveries (however satisfactory merely as regards exports as against imports) as proof that there was no over-production, because, probably, deliveries have only been achieved at a very considerable diminution in price. It is quite true that stocks are not very great, and it is also true that deliveries in proportion to imports have been satisfactory, but still, I think, the satisfactory state of deliveries has only been achieved by our accepting a low price, and it does not disprove the idea that there has been some over-production.

4758. What you are more alarmed about in Ceylon, I take it, in reference to those currency proposals, is with regard to the future rather than with regard to the present; is not that the case?—I would hardly say that.

4759. As regards China, I mean?—The present advantage of China, 50 or 60 per cent. of a bonus on the currency is an extremely serious one, and one can hardly imagine that it will get very much worse than that. We are alarmed about the future, if you are going to anchor us permanently to an artificial value, and having no knowledge of what the bullion value of the tael or the dollar would fall to; but, apart from that, the present position is a very critical one.

4760. Do you think that the Chinaman is aware of the advantage he has, and is prepared to utilize it?—The importers of China tea, both in England, and on the Continent, and in America are fully aware of it. I do not imagine that the Chinese peasant producer knows much about it.

4761. You know that, besides what we may call the handicap of exchange, China levies an export duty

on all its tea?—There is a Likin duty, which has existed ever since our trade commenced.

4762. You call it a Likin duty, but there is an ordinary export duty. Likin duty may be something additional that we know nothing of?—I cannot say that I know the precise nature of the Chinese duties, but, so far as I am aware, there has been no increase on them of recent years. There has been no duty which is in any way a set-off against the bonus that they are now getting in exchange.

4763. There has been no official increase in the ordinary Chinese duty, which is regulated, I think, by treaty. You talk of China tea selling here and competing with Ceylon teas, say in Russia, at 4d.; that tea has to pay a duty of something like 20 per cent. on its net cost, so I must point out to you that there is an additional handicap. The Chinese might take that duty off?—Of course they might do so.

4764. But, in the present state of their finances, they are, perhaps, more likely to increase than to diminish it.

(Chairman.) You put that problematically; are we to take it that there is a Chinese export duty of 20 per cent. on tea?

(Sir A. Dent.) The duty is so many taels per picul, and when you come to a low class tea, that sells, say, at 4d., it is 20 per cent. When I have sold my tea at 4d. and get my account-sales, if I had not paid that duty I should have been 20 per cent. better off. If my tea nets 8d., or 1s., or 2s., the duty is relatively different. I wanted to bring out the fact that China tea, selling at 4d., must pay a considerable percentage of duty in addition to the purchase price.

4765. Allusion is made to the very high rate that is charged for overdrafts in Ceylon, for such advances that the tea companies sometimes ask for. That is a very serious matter, is it not?—Extremely serious. When I left Ceylon the Bank-rate to those who could offer first-rate security, was from 14 to 16 per cent.

4766. Stable exchange, of course, is an advantage as well?—No doubt.

4767. But my question is, is it not a very serious matter to Ceylon estates to bid for stable exchange at such a very great cost?—Undoubtedly. If the stable exchange is to be achieved at a cost, such as we fear it would be, it will be no benefit, but quite the reverse.

4768. Then it is the fact, is it not, that Ceylon depends almost entirely for its revenue on its tea industry?

(Chairman.) He has not said that.

4769. What is your revenue derived from?—Our chief item of revenue is customs. The import duty on rice is the great item. The next item is our net railway revenue; but both of these hang on the prosperity of the producers.

4770. That, I can quite understand, is your contention, but you rather put it as if there was a direct revenue being derived from the tea trade?—Oh no. The direct taxation of Ceylon is light.

4771. (Sir A. Dent.) It is said in this memorial to Mr. Chamberlain of 25th March 1898, from the inhabitants of Ceylon, "That the staple export products of this Colony are not grains or cereals which are cultivated annually, and which if found to be unprofitable from any cause one year need not be cultivated the next, but consist of articles, the cultivation of which requires a large capital outlay, and which have taken years to bring into production"?—The point of that is that you would not see an immediate reduction in our exports, because they are perennial plants, and a mere one or two years' want of profit would not occasion everyone to abandon their properties, whereas if it was a cereal or an annual, the sowing of it would at once be affected by want of prosperity. When you are dealing with a permanent product like tea, coffee, cocoanuts, or any of our great exports, the effect on the quantity of exports would not be immediate at all.

4772. In the same memorial they say "That they do not believe that the Indian Government anti-

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"pated this effect of its policy." Alluding to the damage that the rise of exchange had caused to the planting industry?—That rather applies, I think, to the stringency of money.

4773. I thought it applied to exchange, because on page 22 of this Blue Book, "Correspondence respecting the Proposals on Currency made by the Government of India," Lord Elgin and his Council use the phrase, "On the ground that the change is expected by some to be advantageous in certain exceptional cases." That appeared to be referring to planting as an exceptional case. I think the fear of the Ceylon people is, with an answer like that, that their interests would not have much consideration?—We think that the producer's interests have not been considered. We do not expect that Indian interests will be considered adversely to ours, but we merely say that our producers are in the same category, and that, therefore, what you may learn from our facts will be of some use to you in considering Indian ones.

4774. Now, you have had some experience outside Ceylon, have you not?—I have been to the Far East, and I have got interests myself in silver-using countries—in Singapore—and I have got some knowledge of the present position of matters in Mauritius.

4775. Will you tell us how Mauritius is bound up with Ceylon?—Mauritius is hardly bound up with Ceylon at all, but it is one of the other rupee-using colonies, and the scarcity of the rupee there has had most serious effects. There has been a tremendous drain of the currency away. Since the 1st January 1897 up to March 2,500,000 rupees had been drained off to India in excess of those that had arrived. These are the official figures; but, in addition to that, there had been undoubtedly a large quantity that had gone off to India through private sources, not shipments, and the result of that has been that the finances of Mauritius may be said to be almost in a desperate condition. The Government has had to lend the Commercial Bank of Mauritius 1,000,000 rupees.

4776. Do you connect that with the closing of the mints?—Oh, yes.

4777. But the money sent away to Mauritius was sent away for value?—It only shows that as regards redundancy of rupees the rupee countries—Ceylon and India—are suffering from the very reverse. Mauritius is suffering from the drain of the currency to such an extent on that account that the Government have been obliged to make an advance; they have actually been obliged to suspend their currency regulations, and issue notes without the legal reserve against them, and, at all events for the time, there is a forced note issue. I do not suppose any English colony has had to take such a step before.

4778. (Chairman.) I always thought that there has been depression of trade there?—Undoubtedly the sugar industry there is in a very bad way.

4779. I should think that that, and not the exchange, was the reason?—It is very difficult, of course, in the case of a country suffering from many things how much is due to one cause and how much to another; but there is undoubtedly most great stringency in the currency, and the position of Mauritius as regards the absence of coin has come about from that. There is not enough coin in the country to meet the requirements of the people, and the Government have been obliged to suspend the regulations under which their currency has hitherto been issued, and to issue notes without the full bullion reserve that they ought to have had, they have had to issue Government notes in anticipation of loans to be raised to meet them.

4780. (Sir A. Dent.) You made some comparison in your memorandum with the West Indies and Australia, will you tell us how that affects this enquiry? Capital usually will only go where there is profit?—I think that is the correct way of looking at it—that stability of exchange between the two countries is convenient and, in many cases, desirable; but I think it is quite erroneous to suppose that stability of

exchange by itself will attract capital. As a concrete instance that it does not do so, I quote you the West Indian Islands, Australia, Fiji, and other places, in which there is an absolute stable exchange, and we find that no English business goes on. I quote you on the other side, Ceylon, with an unstable exchange of the rupee, to which there was, up to quite recently, any amount of capital offering. The evidence taken before the Ceylon Currency Commission was perfectly conclusive on that point—that never during the whole history of the Colony had there been more capital offering than there was at that particular time.

4781. (Chairman.) Do I understand you to say that no English capital has gone to Australia?—No, I do not say that. What I said was that the stability of exchange between England and Australia, and between England and the West Indies, and between England and Fiji, and a good many other places, has not induced more capital to go there of recent years.

4782. Surely there has been a large amount of English capital lost in Australia in the last few years. It had nothing to do with exchange. So, with regard to the West Indies, what it had to do with was not the exchange, but the destruction of the sugar industry?—That is just my point, that English capital will not follow stability of exchange as the Secretary of State for India stated a short time ago. The real magnet which attracts capital is profit.

4783. It is not for me to defend the Secretary of State, he can defend himself; but he was talking of exchange between a silver country and a gold country. There is no exchange beyond the ordinary market exchange between England and Australia, or between England and the Mauritius?—But, surely if you would apply the expression "stable rate of exchange" between India and England if India had a gold standard, you would also apply it equally, and that is what I did, rightly or wrongly, between England and Australia, or between England and the West Indies. As I say, the magnet which attracts capital is the reasonable chance of profit.

4784. That will attract capital everywhere. The Secretary of State's argument is that he wants in that way to attract capital to India—by showing a reasonable chance of profit?—Having quoted those countries with an even rate of exchange, and stated, I think rightly, that no British capital is going there just now, and has not for some years, I then quote you Ceylon with its unstable rate of exchange, and show you that there was any amount of capital offering then. I only argue from that that stability of exchange of itself does not attract capital.

4785. Therefore you think that capital has not been remitted home from India, and is not prevented from going to India on account of unstable exchange. You told us a short time ago that a large amount of capital had been remitted home from Ceylon?—Undoubtedly, for the two reasons that I quoted, one that some people think that the rate may go down, and, therefore, they take advantage of the high rate to remove their capital and the other that some people believe that there will come a time of absence of prosperity and crippling of trade, and they therefore try to get out as soon as possible.

4786. That is an unstable exchange?—They do not fear unstable exchange.

4787. Are you aware that in this time of stringency, companies trading in India and in Ceylon have kept their money in London at $1\frac{1}{2}$ per cent., while they have paid very high rates for accommodation in India and Ceylon?—Undoubtedly.

4788. Will you explain why, in your view, they have done that?—I explain that by the desperate condition of affairs that have been brought about by the action of the Indian Government—bringing about such a position that was never known before.

(Sir J. Muir.) I think, Sir, you stopped the Witness when he was going to explain why, in his opinion, people now desired to realise their property in Ceylon, because they feared that the 1s. 4d., the permanent rate,

4880. Those other industries are much more in the hands of natives?—Yes, there is still a little coffee, and that remains in European hands, but it is not much. All the other great exports are what we call native ones.

4881. Would your views, as to the adverse effects of a high exchange, apply to these other articles as well as to tea?—Precisely as regards the one argument of the direct injury of high exchange. As regards the other, where they come into competition with silver-using countries, it might not apply to them all, but it would apply to the larger ones.

4882. (*Mr. Le Marchant.*) Do you consider that the large development in tea production in India and Ceylon has reduced the margin of profit by competition?—I should like to have an idea what is meant by competition! Of course we have always started from the very first with the serious competition of China—the knowledge that China produced what you might call the whole of the world's supply of tea, and from the very start we have had to face that competition and overcome it. If you mean that between India and Ceylon themselves there has been undue competition, I do not think there has been.

4883. I was not using the phrase “undue competition,” I meant that the development has been so far rapid that the margin of profit has been brought down somewhat quickly?—You come back, I think, to over-production. It is practically the same thing. I should almost say that over-production is a relative term, and that so long as China and Japan contributed to America and the Continent 150,000,000 lbs. of tea we did not regard, as long as we were on even terms, our production as being over-production. We had pushed China tea out of the English market, and we felt that we could do the same with the other markets if we had been on even currency terms. As long as this enormous quantity of China tea was consumed in the foreign markets I do not think we regarded ourselves as over-producers, but with the reluctance of present buyers to pay a higher sum for our tea, we have had our English consuming market undoubtedly over-supplied.

4884. And to that extent any element in the cost of production such as the advantage, so far as it extends, of a low exchange is the more important?—Undoubtedly.

4885. If you could view the subject apart from Chinese competition, do you think that such an advantage as low exchange gives you, being common to all producers, would not show itself in increased competition, that is to say, that if the element of advantage to you is one that all producers in India and Ceylon share, that would in itself tend to develop competition?—Prosperity, profit-yielding, would undoubtedly bring in more competitors for that prosperity, more competitors for that profit, and in that, as in everything else, we would say that the tendency was to diminish prices. It has been the case, of course, in the past dozen years that profit and prosperity induced others to enter upon the enterprise who would never have entered upon it if it had been unprofitable.

4886. With regard to the competition of China on the Continent and in the United States, to what do you attribute the fact that while you have displaced Chinese tea to a great extent in England, you have not hitherto succeeded to the same extent in those other countries?—Of course there are minor factors, but undoubtedly this bonus is one of them. We had practically displaced China tea in the consuming market of England before China and Japan had this bonus. If that had existed 12 years ago say, our struggle to oust China out from this market would have been very much more difficult, and probably we should not have succeeded; but we had practically ousted China tea before China got this bonus. I would mention quite *apropos* of your question a circular dated the 16th of this month from Hankow, which I should like to read: “Hankow telegrams to date give the arrivals as about the same as last year.

“Russian buyers have purchased considerably in excess, the quantities being 440,000 half chests against 330,000 half chests last season, while for other countries settlements are 100,000 half chests against 138,000 half chests. The prices paid for common grades are reported as much higher, and have been taken principally for Russia.” Of course “prices much higher” means in local currency. There we have an instance of the fact that at the present moment Russian buyers are increasing their purchases of China tea, owing to the fact that they get a cheaper article.

4887. Has not the taste of Russia as a rule been very much in the direction of China tea—they regard it as very delicate?—Just in the same way that the taste of England used to be.

4888. (*Chairman.*) But we have never had those very expensive teas here, I think. Is not there a China tea which we may say is equivalent to the highest brand of champagne?—There is, but with a considerable knowledge of the Russian tea trade, owing to my having gone there last year on behalf of Ceylon, I find that the idea that Russia consumes a large quantity of expensive tea is without foundation; she consumes a relatively small quantity of extremely expensive fancy tea, but the great bulk of the tea she consumes is very common tea indeed.

4889. The average is disturbed by the very high price of a small quantity of the tea she takes, but that is no indication of the total quantity of tea she takes?—Quite so.

4890. (*Mr. Le Marchant.*) You would not say that there was considerable consumption in Russia of fairly high-priced tea?—Considerable in the sense of the proportion to the total, I would think not.

4891. How far do the duties imposed by Russia and certain disabilities also on the importation of tea from India and Ceylon operate. You are put at a certain disadvantage, are you not?—The chief disadvantage is the admission of China tea across the Siberian frontier at a reduced duty. As regards China tea coming by sea, of which a large quantity now comes by the volunteer fleet to Odessa, 27 million lbs. came from China to Odessa last year. As regards that quantity of tea, our tea shipped from Colombo in the volunteer steamers is exactly on the same terms; being carried in Russian bottoms they both get the preferential rates. Were our tea going in a bottom other than Russian there would be a disadvantage in the preferential rates. But Ceylon tea shipped from Colombo in a Russian steamer is at no disadvantage as regards China tea shipped in the same steamer. Tea has to pay a duty of 1s. 10½d. on entering.

4892. Some representations have been made by the Indian tea trade as to that?—Undoubtedly. By the accident that the Russian volunteer fleets call at Colombo we are enabled to ship our tea by them. From Calcutta, carried in foreign bottoms, they would have a less favourable railway rate to Moscow. Then there is the question of the Siberian frontier duty, but that equally affects China tea going by sea as it affects Ceylon tea going by sea.

4893. (*Sir C. Crosthwaite.*) Does not much more China tea go in Russian steamers than Ceylon tea?—Oh yes, Russia practically consumes nothing but China tea.

4894. Which their own steamers take out?—These volunteer steamers take it. It is their chief cargo at one time of the year.

4895. They do not call at Ceylon?—Oh yes, regularly.

4896. Do they take a large quantity of tea from Ceylon?—No, because the Russian market is not developed. They take all that there is going direct, but I will not say that it is a large quantity.

4897. (*Mr. Le Marchant.*) Suppose the exchange fell, for instance if the mints were opened, how would you consider the question of taxation? Some suggestion has been made by Indian growers that they would be prepared to bear an export duty. India

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has charges of sterling debt to meet. Ceylon, I think, is not in the same position?—Its sterling obligations are relatively much less.

4898. Would the Ceylon grower be prepared to share in the burden of an export duty?—The Ceylon grower, I have not the slightest hesitation in saying, desires not the least advantage over the Indian grower, and he is quite willing to be put on even terms as regards any export duty. Of course, were export duty levied on Ceylon tea in order to make it compete on fair terms with Indian tea, that would not be handed over to India. We are quite willing to be on even terms with India. We want no advantage, and if, in order to relieve the anxieties of the Indian Government, an export duty was required on Indian tea, I have no hesitation in saying that Ceylon would be quite willing to re-arrange its taxation so that it might not get any protection, as it were, owing to that Indian duty. We are not called upon to share the burden of India as regards paying its debt. India's burden is of course its own.

4899. You were alluding just now to the effect of stringency in the money market. You said that that made a difficulty in obtaining loanable capital for working estates?—It does.

4900. I think you said also that it told on the price at which estates could be realized, and you said that in case of selling estates during the recent stringency, less favourable prices were obtainable?—I did not attribute the less favourable capital prices obtainable so much to the actual stringency as to the fact that profit had fallen, and consequently buyers were reluctant to buy, at all events at anything like the rates given when they were more profitable.

4901. Do you think a buyer would give as high prices when the profits of exchange were uncertain? For instance, the reason you were giving for the withdrawal of capital, that exchange was at its maximum, and might conceivably fall, would operate equally in the purchase price that a buyer would offer, would it not? He would be paying a high rate, with the risk of some day or other getting back his capital at a lower rate?—He must realize that the capital value of his estate depends on its profit-yielding capacity, and, if a low exchange increased that profit-yielding capacity, it will increase the rupee value of his estate accordingly, and the increased rupee value would make up in many cases—far more than make up—the loss that he would make if he took his capital back to England. Suppose a man sends out from England 10,000*l.*, and buys an estate in Ceylon at a certain rate. Then there comes a lower rate, and the profit from the estate goes up 50 per cent. His capital value will follow, perhaps not to the full extent, but he will sell out at the end of a few years at a much bigger rupee sum than he gave, and that rupee sum might equal 12,000*l.* for the 10,000*l.* that he put into it.

4902. With the tendency of profit to be reduced to whatever is the usual margin in such a trade would not the advantage of low exchange eventually work itself out?—No more than the advantage of a brisk market would—no more than the advantage of cheap freights or the opening of the Suez Canal, or anything that tended to make produce cheaper and competition keener.

4903. Then you think the buyer would get back the full value of the capital that he invested at some later time. That is to say, that the rise in capital value in rupees might be expected to correspond to the fall in exchange?—In the past it has much more than done that. We found that the profit-yielding capacity had increased so much, and he got such a very much larger rupee sum, that although he had to take that home with him at a much lower rate of exchange, yet the net sterling sum was much in excess of what he brought out.

4904. And that you attribute to the rate of profit?—To the rate of profit entirely. The capital value of the estate hangs on the profit.

4905. So far as providing loanable capital is concerned, a stable exchange is material in that respect, is it not?—A stable exchange, other things being equal, is a convenience, but I would draw your attention to the Ceylon Currency Commission on that point, which is very exhaustive. It comprised the inquiries of bankers, planters, and representative men, and their distinct statement is that: "The evidence we have is conclusive that that fall has not prevented the introduction of all necessary English capital, and it is stated that there is more capital offering for investment on reasonable terms than has ever been the case before. There is no practical or legal difficulty in securing the repayment of sterling loans in sterling value, and the loans of English capital, almost entirely made to Europeans, are so secured. Native borrowers and lenders deal entirely in rupees, and have been in this respect unaffected by the fluctuations of exchange." That condition of affairs in 1892, when there was any amount of capital offering, and the rates of interest in Ceylon went lower than they ever were, continued up to about 15 months ago. In spite of the unstable exchange and the possibility of a fall, there was more English capital offering than had ever been known before, and as the result the price of estates, as based on the number of years' purchase, went up considerably. A few years ago I was valuing estates at six years' purchase. Latterly for good high estates 10 years' purchase was easily obtainable, and that in spite of what you may call the unstable exchange. Ceylon, I state without the slightest hesitation, has never suffered owing to exchange from want of foreign capital.

4906. (Mr. Hambro.) Until it was fictitiously raised?—Until it was raised.

4907. (Chairman.) You have quoted again and again from the Ceylon Currency Commission Report. Was that a Commission appointed by the Government? Yes.

4908. Was it confined entirely to gentlemen in Ceylon?—Yes.

4909. It was purely a local Commission?—Yes.

4910. It was comprised of the best men in the colony?—It was comprised of representative men.

4911. Now I want to have clear the exact amount of tea that comes to the English market both from Ceylon and India. The entire import of tea into the United Kingdom in the year 1896 in round figures was 266,000,000 lbs.?—We shall get into difficulties there. You must remember that if you take the entire imports to Great Britain a very large proportion of that goes out again.

4912. I am aware of that, I am taking first the amount that goes in, I am not talking about the consumption. My question is the entire amount of tea that comes in is now I suppose 270,000,000 lbs.; in 1896 the exact figure was 266,394,122 lbs., that was the entire tea that came into Great Britain?—Yes.

4913. How much of that came from India. I find that in that year there came from India 142,000,000 lbs., and there came from Ceylon 110,000,000 lbs. Then I have here the figures in 1897. The figures in 1897 were from India 153,500,000 lbs., and from Ceylon I think you gave us in your evidence the figure of 116,000,000 lbs.?—No, my 116,000,000 lbs. was the export from Ceylon, which is quite a different thing from the import to England. Of that export, 29,000,000 were consumed outside the United Kingdom, although some of it passed through the United Kingdom. I am prepared with all the Ceylon figures. I cannot give you the Indian ones.

4914. Give me the Ceylon figures; how much of the 116,000,000 lbs. came to Great Britain?—My total of 116,000,000 was for last year, 1897, and of that 98,000,000, almost 99,000,000, came to the United Kingdom.

4915. Including what passed through?—Including what passed through.

4916. Then what is your proportion as compared with India; in round figures it is two-thirds; India

is between 150,000,000 and 160,000,000 lbs. and Ceylon is 100,000,000 lbs.?—Speaking for the Ceylon figure, that would be right.

4917. Now there is one uninterrupted rate of progress. The great jump from 1887 to 1888 was 10,000,000 lbs. In 1887-88 what was the exchange value of the rupee?—In 1886 it was 17½d.

4918. But where the great jump began was in 1887. You exported 13,824,000 lbs. and the next year you exported 23,820,000?—Yes.

4919. What was the rate of exchange in that year?—That is 1888.

4920. 1888-89?—16½d.

4921. Now you have a still more enormous jump next year; from 23,000,000 you go up to 34,000,000?—Yes.

4922. And the exchange is still a little higher, 1s. 4½d.?—Yes.

4923. Then you have an enormous jump next year up to 45,000,000, and the exchange is then 1s. 6d.?—Yes.

4924. Then it is 1s. 4d.; there are two years in which it is 1s. 2d.; there are two years in which it is 1s. 1d. and then it goes up to 1s. 2d. and then to 1s. 3d.?—Yes.

4925. Now with those figures before you do you say that the progress of the tea trade in Ceylon has been materially affected by the rate of exchange?—Undoubtedly.

4926. Although you see that the greatest improvement in the tea trade was contemporaneous with the high exchange rate?—Precisely. The explanation is very simple. Tea takes five or six years to come into full bearing and the tea that was planted during the period of the downward rate of exchange did not come into bearing for some years afterwards. Tea planted in 1886 would not come into bearing until 1890. It is due to the fact that tea is not an annual or a serial but a perennial. You will see, for instance, the year after next, no matter what the exchange may be, probably bigger exports from Ceylon because a lot of tea has been planted during the last few years encouraged by the low exchange.

4927. But this rate is going on allowing for all that—the tide seems never to turn?—The rise of exchange in 1890 was regarded as an extremely serious one at the time, and the belief and hope was that it would not be permanent. But at that time again we were linked with China. We knew that if the rupee went up it would injure us but we could still fight on because China would be equally injured. It is only since then that this divergence between the bullion and the currency value has made the matter much more serious.

4928. Now you said in reply to Mr. Le Marchant that you practically have no remittances to make to England in respect of your Government expenditure?—Oh, yes we have. Ceylon's gold debt is about 2½ millions sterling.

4929. Is that all held in Great Britain?—That is all held in Great Britain.

4930. What is the amount of interest on that?—It is practically all for public works on which there has been a slightly varying rate of interest on sinking fund. We have the full details in the Currency Commission Report.

4931. How is the balance of trade between you and Great Britain?—Undoubtedly the balance of trade is strongly in our favour although the Government figures do not bring that clearly out.

4932. I did not catch the figure you mentioned, but you said that a rise of 20 per cent. in the value of the rupee affected you to a certain amount. What was that amount?—If it fell 20 per cent. Ceylon received 10,000,000 more rupees for a given quantity of sterling.

4933. Supposing it fell 50 per cent. what would that be?—As long as the local purchasing power of the rupee continued, as it has continued in the past, practically unaffected, the benefit would be in direct proportion.

4934. And so if it went to 70 or 80 per cent.?—With the qualification that the local purchasing power remained the same it would go on even at 70 or 80 per cent.

4935. In other words, if you could buy a depreciated currency at a lower price the profit would still become greater to the capitalist who paid his wages in the depreciated currency?—No, that is too broadly put. Were it a depreciated currency, say for instance a South American printing-press note issue, it undoubtedly would not do so, but where the local currency proved to be stable as regards local prices it would be so.

4936. Now, you were asked by Mr. Campbell about the effect of an import duty and seignorage. In your judgment, who pays an import duty?—I think, speaking roughly of course, the people of the country have to pay it. Although the particular class may have to pay it in the first instance, it filters through to the people of the country ultimately.

4937. Take the import duty on a certain article, say tea; who pays that?—The user.

4938. The consumer?—Yes.

4939. If the Chancellor of the Exchequer last month had put on a duty of 2d. a pound on tea, the consumers of Great Britain would have paid that duty?—That would be one of the instances where it would take a little time to filter through to the people of the country.

4940. But suppose he had put on 2d., the consumer would pay it?—The moment it got into the hands of the middleman, the consumers would have to bear it.

4941. Do you know that when Mr. Goschen took 2d. per pound off tea it was reduced in every grocer's shop in London the next morning?—On paper. The reduction of a duty of that kind forces the retailer, I think, to be not very honest. His 1s. tea that he was selling the day before the duty he is bound to sell now at 10d.; but he probably puts in a 10d. tea.

4942. And you are equally sure that if the duty was raised the retailer would put it on directly?—As soon as he could.

4943. Now, assume that a large duty was put on silver in India, tell me who would pay that duty?—The user of the silver.

4944. That is the consumer in India?—The consumer in India.

4945. Then how does it make him any richer in his currency?—It would not make him any richer so far as that particular direct action was concerned.

4946. Assuming that the general value of silver throughout India was raised by an import duty dealing with internal transactions in India only, that would have no effect?—That would have no effect.

4947. But the moment the consumer in India wants to send out his silver to a country where there is no such duty, then his silver is down?—I hardly follow that.

4948. Let me take a concrete illustration irrespective of the present figures. Let us take it that the intrinsic value of the rupee was 1s., and a duty was put on which made its value in India 1s. 3d.; that rupee has to be remitted to London to get its gold value for any purpose you like. In London there is no such duty, and therefore the intrinsic value of the rupee in silver is only 1s.?—Yes, the bullion value.

4949. It will not fetch more than 1s.?—No; if there is a shilling worth of silver in it, it will fetch 1s. as bullion. Might I make a remark in connection with that reasoning? Whatever its application may be when you are considering an export and an import of perfectly equal value, even if you include the portion of the indebtedness, it does not apply to the surplus—to the accumulation which the producer is making over and above his living. Suppose he saves 20 or 30 rupees, or suppose he saves a certain amount of produce and gets more rupees for it, it undoubtedly adds to his own accumulation if there is any saving going on at all.

4950. I was simply asking you with reference to its exchange value. I quite see the force of what you

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say, but its exchange value would not be affected by an import duty confined to the country into which it is imported; I am supposing there is not a universal duty?—Not the exchange value as regards bullion, but of course at the present day we know that it has been affected in an artificial way by the closing of the mints.

4951. Its exchange value?—Its exchange value has been affected. The exchange value, were it a bullion coin and passing as bullion, of course, would not be affected, but if it were an artificial value it would be, and with seignorage and import duty you would have an artificial value of the rupee, which would extend to its external exchange value.

4952. Is there not an artificial value on all token currency?—I would hesitate to broadly answer yes. Certainly it is so with silver tokens.

4953. What is the intrinsic value of our shilling?—Less than half its face value.

4954. Yet if I go out into the street its worth to me is the twentieth part of a sovereign?—Yes.

4955. Then that is an artificial value?—It is an artificial value.

4956. Raised by the Act of the legislature?—Yes, it is, but it is not legal tender beyond a small amount, and is subsidiary to a standard coin.

4957. It is not legal tender beyond 40s., but you can raise a token currency, and its value is always

artificial, is it not?—I would think not. I would say that the silver currency of England was a token currency at a time when it was on a par with gold.

4958. When was it ever on a par with gold?—I should say about 1869 or 1870.

4959. There was always a very large margin. When they resumed cash payments, when silver was 5s. an ounce, the intrinsic value of 20s. was only about 18s. However, we will not pursue that. Now you have told us about the dividends paid by various companies. Were those high dividends paid on the original sums invested or upon the increased values you mentioned?—The older companies purchased their estates at lower prices than the later companies, and their dividends are paid upon the sums that they then acquired the estates at.

4960. (To Mr. Leake). I understand that Mr. Leake will prepare for us a table of the capitals of the various companies and their dividends extending over this year?—Yes. The dividends can be comparatively easily given. I thought you were asking for the cost per pound of tea in the case of each company.

4961. No, I only want you to show the capital of the companies and the amount of their dividends?—We have it all here; there will be no difficulty about that. You mean English companies?

4962. All companies, local companies as well as English companies?—Very well.

(The Witnesses withdrew.)

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MR. CHARLES STEWART COX called and examined.

4963. (Chairman.) Where do you reside?—5 and 6, Billiter Avenue, is my City address.

4964. How would you describe yourself, as a merchant or a broker?—I am both.

4965. Engaged mainly in the Indian and Eastern trades?—Yes, and American.

4966. Have you had experience of trade with Ceylon as well as with India?—I have lived in Ceylon, but I have had no experience of trade with it.

4967. May I ask how many years you lived in in Ceylon?—About two years.

4968. When?—I was there in the years 1879 and 1880 and part of 1881.

4969. Have you been in India at all?—Only temporarily.

4970. I suppose you are very much interested in currency questions between England and India?—Very much.

4971. Will you tell us your experience first as a business man as to what was the condition of things prior to 1893, when the mints were closed?—And while exchange was falling?

4972. Yes. Was that advantageous or disadvantageous to trade?—I think it always imported a very speculative element into the trade, and a great deal of business that was done resulted from your taking a correct or incorrect view of the course of exchange.

4973. Would you mean by that that business transactions had imported into them an element of uncertainty owing to a doubt as to how the transactions would ultimately work out through the exchange?—Yes, exchange was one of the three items in my business which you had to reckon with, and was one of the most uncertain of the three.

4974. And that you consider a great disadvantage?—I do. I consider it a great disadvantage.

4975. You remember the closing of the mints?—I do.

4976. Will you tell the Committee what you think of the policy of closing the mints?—I thought the intention which underlay the closing of the mints was favourable from my point of view, the intention being to steady exchange.

4977. The rise in exchange did not take place for some 12 months after the mints were closed?—As far as I recollect, not.

4978. In 1892-93 the exchange was nearly 1s. 3d.; in 1891-92 it was 1s. 4d.; in 1892-93 it was 1s. 3d.; in 1893-94 it was rather lower, 1s. 2½d.; in 1894-95 it went down to 1s. 1d.; in 1895-96 it was 1s. 1½d.; in 1896-97 1s. 2½d.; in 1897-98 1s. 3½d., in round figures?—Yes.

4879. Will you tell us what the effect on trade was when the operation of closing the mints came fully into work?—The immediate effect was a fall in exchange as soon as it was discovered, of course, that the rate could not be held up, and the effect on our trade was simply the same as before—great uncertainty about exchange. As I say, while the intention was, from our point of view, a favourable one, the effect on our business was to leave our business exactly as it was before.

4980. Then, when the rate of exchange began to rise, what was the effect?—I do not think we have ever regarded the position as altered until recently.

4981. That is, you consider the element of uncertainty still exists?—Certainly.

4982. In fact, as I think you say in your memorandum which I have before me, you consider that the policy hitherto has been a policy of drift?—Yes.

4983. Do you think that is a desirable policy either for India or Great Britain?—No, I do not.

4984. Have you considered the proposals of the Government of India?—Well, I am not a currency expert. I have taken a good deal of interest in the subject, and I have read the proposals of the Government of India.

4985. Just tell us how they strike you as a business man?—Entirely as a business man, and not at all as a currency expert, the immediate effect upon me of the despatch from India was one of great disappointment, because, while I do not pretend to understand these questions, I was rather of opinion that the proposal to melt rupees, while it might from an expert point of view be supported by good argument, that is a question I am not competent to go into, I thought from the general appearance of the thing that it would be very unfavourably received in England.

4886. Have you any opinion as to how it would be received in India?—I thought that the mercantile community in India would receive it very much the same as it was received here.

4987. Now what was your opinion as to melting down rupees?—I do not wish to be dragged into a scientific discussion about it, because I am not competent to go into it. It was mostly the objection on the point of the appearance of the thing to people who might not understand the technical arguments in favour of it, if they existed. I had a feeling myself which was probably shared in by a good many, that it required rather an expert to understand why currency should be redundant, and why it should be necessary to melt down rupees, when the bank rate in India was 14 per cent.

4988. In other words, you thought that the existing stringency of the money market in India rather militated against the assertion that there was a redundancy of currency?—I do not consider that I am competent to enter into that, but I had the feeling that that was a question that might be asked, and one that it would be rather difficult to answer in the ordinary way.

4989. What would be your view of re-opening the mint?—I think it would be absolutely disastrous.

4990. To trade?—To trade and the country.

4991. That would be the worst development of the policy of drift?—I should think the very worst.

4992. You think that same change should be made?—I think it ought to be possible to find some way of backing up the 1s. 4d. rate, or whatever rate was agreed upon, and I think, if possible, it would be very much to the benefit of the country and to the mercantile community.

4993. Does the ordinary prudent merchant want fixity of exchange?—I think he does.

4994. You think that an essential element totally irrespective of the rate?—Yes, I think it gets rid of a very speculative element in anybody's trade.

4995. Are you at all aware of the movements of what is called loanable capital to and from India?—Yes, from my own experience, I understand the movements of loanable capital.

4996. Since what you call the policy of drift has been inaugurated, has your experience been that capital has gone to India or come back from India?—I think clearly it has come back.

4997. The capitalists avail themselves of the high rate of exchange?—I think not only capitalists, but private people with balances—of course in the aggregate representing a large amount.

4998. Now, suppose there was fixity of exchange, do you think that capital would go to India?—Yes, I undoubtedly think so.

4999. For all purposes?—For all purposes.

5000. Both for investments and loanable capital?—Yes.

5001. Private European balances when the exchange was, we may say, permanently fixed at high rate, were invested in local enterprises?—Such is my information.

5002. And since then brokers have received standing orders to buy exchange as soon as "such and such" a rate is reached?—I have heard so.

5003. (*Sir F. Mowatt.*) "Such and such a rate" being what?—Whatever rate it might be. I do not fix any particular rate.

5004. (*Chairman.*) Have you any experience of limited companies with sterling capital in India having kept a portion of their capital in London earning a low rate, while they have been borrowing money in India at a high rate?—I have.

5005. Can you give us the rates at all?—The deposit rate in London was probably $1\frac{1}{4}$ or $1\frac{1}{2}$ per cent., and the rate paid in India was not less than 8 per cent.; it might have been more.

5006. And you think that sooner than face the risk of a heavy loss on exchange they preferred temporarily to borrow in India at 8 per cent., and leave their money safe in London at 1 or $1\frac{1}{2}$ per cent.?—I have known of such cases.

5007. That reduced the loanable capital in India if that is so?—Clearly.

5008. (*Sir F. Mowatt.*) May I ask was that at any particular crisis?—It occurred in a case within my own knowledge previous to last Christmas—during the autumn and up to Christmas of last year.

5009. (*Chairman.*) Now the despatch of the Government of India, which you have already alluded to, proceeds on the basis that currency is redundant. Did the currency become redundant contemporaneously with a scarcity of loanable capital?—If you accept the statement of the Government of India that currency was redundant, certainly.

5010. Just explain that to the Committee in your own words?—The Government of India says that currency is redundant. You could not discount the finest acceptances in India under $13\frac{1}{2}$ per cent., perhaps even more, at one time, and I think that that is sufficient evidence that there was a scarcity of capital available for ordinary requirements of trade.

5011. I will just read what you say in your memorandum, and then you can explain it in your own language. You say, "Currency may be loanable capital if it gets into the right channels and put into circulation, but that loanable capital need not be currency; it is currency plus credit"?—That is my view.

5012. Just give the Committee the illustration on which you base that?—For instance, a banking house in London may have 100,000*l.* of gold in its vaults—that is currency; but it may not be available for the clients of that house if credit is shaken. Currency or capital is much less useful than "credit," and there is hardly a business in London that could be carried on entirely on such "currency" as any one firm could command. The business of the Bank of England could not be carried on, I take it, on the volume of gold which it has got in its coffers, and I rather think that one or two houses—I may be technically wrong here—but I think that one or two houses in London, if they put their heads together and wanted to do it, could take away the great bulk of the gold from the Bank of England at one sitting. That is the reason, I think, that business cannot be carried on entirely on currency, and it is not even so carried on here.

5013. Now to test this, just take the converse case. You have been taking the case of loanable capital hardly existing and currency being redundant. Now take it the other way?—I draw no deductions from it, but in America during the financial panic of July 1893, it was extremely difficult to get change for a 50 dollar bill. If you went to a bank at that time with a cheque for 25,000 dollars and you had 200,000 dollars lying to your credit, the bank would say, "What is the very least you can do with; here is a cheque for 25,000 dollars; cannot you do with 5,000 dollars?" If you said "No," they would say, "What is the very least you can do with?" I am not an expert in these matters; I can only say what has been my experience. I never heard it suggested that currency was either redundant or otherwise in America at that time, but you could not get hold of it. On the other hand, so far as my own business was concerned, there was no difficulty in borrowing money here to send to America against securities in America.

5014. Yet there was great difficulty in getting currency in America?—I believe there was.

5015. Just before the last Presidential Election was there great difficulty in obtaining money in London on American securities?—There was an entire absence of confidence in the position, and it was most difficult in my own business to borrow money.

5016. Was the reason of that the fear of a return to a silver standard?—I think that was the fear.

5017. China, at present, has no currency at all, has it?—I believe internally not, except lumps of copper and bits of silver—no currency as we understand it.

5018. They introduce a large number of Mexican dollars, do they not?—I think that is chiefly, if not entirely, in the Treaty Ports.

5019. Now let us come from generals to particulars. Your firm is largely engaged in the jute trade?—Yes.

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5020. How many bales do you export from India?—My firm as a firm does not exist in India, but the firms whom I represent here export over 690,000 bales out of this season's crop.

5021. Out of a total of how many?—A total of about 3,500,000 bales.

5022. How is that export affected, prejudicially or beneficially, by a rise or fall of exchange?—The figures which are at my disposal do not show that the variations in exchange have had much effect on the export, and they certainly do not show that the higher exchange ruling during the last year has had any effect unless a beneficial one.

5023. Just give us the figures in round numbers from 1882 to 1898 of the exports of jute from India?—The total exports of jute in 1890-91 were these. I must explain that the season begins on the 1st August and ends on the 31st July.

5024. That would be the season of the year beginning on the 1st August 1890 and ending on the 31st July 1891?—Yes.

5025. What was the total in the year 1890-91?—2,787,000 bales.

5026. 1891-92?—1,732,000 bales.

5027. 1892-93?—2,630,000 bales.

5028. 1893-94?—2,245,000 bales.

5029. Now the year after the mints were closed and the temporary effects had passed away—the year 1894-95?—3,064,000 bales.

5030. 1895-96?—3,094,000 bales.

5031. 1896-97?—2,840,000 bales.

5032. 1897-98?—3,380,000 bales up to date. That is not the total.

5033. At all events this year, you say, 1897-98, which is not yet over, will be the highest export of the last decade?—Yes.

5034. Can you give us the figures as to rice?—For the year 1890 the total export from Burma was 1,287,000 tons; in 1891 1,216,000 tons; in 1892 1,128,000 tons; in 1893 1,304,000 tons; in 1894 1,366,000 tons; in 1895 1,312,000 tons; in 1896 1,257,000 tons; in 1897 1,566,000 tons, the largest on record.

5035. I suppose your opinion would be from those figures that the exchange rate in no way affects the production either of jute or rice?—I do not think it does.

5036. Supposing there was a fixed currency, say at the rate of 1s. 4d., would that be injurious to the manufacturing jute industry of Dundee?—No, I do not think it would.

5037. Not even in competition with Calcutta?—I think it would be beneficial in this way, that the falling exchange accentuates the injury which Dundee is suffering.

5038. You think it does?—I think it does.

5039. Then if a falling exchange accentuates the injury, a rising exchange would tend to remove it?—I think there is no doubt that the Dundee manufacturer would be in a better position if the exchange was at 2s., so far as that is concerned.

5040. Are you familiar with Burma?—I have recently been through Burma.

5041. What is your impression as to what it needs for its full development?—My impression is that Burma has been opened up by Government in the most extraordinary way. The railways are perfectly wonderful when you consider the short time that the country has been in the hands of the Indian Government. I think the only thing that Burma wants is the investment of private money.

5042. But the merchants in Burma are not anxious to see that development, are they?—That is what I gathered from conversations with them.

5043. They consider that a limited trade with large profits is preferable to an extended trade with small profits? I would not like to say that is the general opinion, but that is the impression that I brought away from there.

5044. Now is there any other remark that you wish to make in your examination-in-chief? If so tell the

Committee what you have to say in your own words?—I have said in my statement here that I think the mercantile community in India are in favour of fixity of exchange. I have heard it recently stated that the Chamber of Commerce in Calcutta is against what the Government of India is doing. I think from information I have from Calcutta it is pretty clear that the Bengal Chamber of Commerce is not against what is being thrashed out before this Committee, but it is against the special proposals of the Government of India.

5045. Your opinion is that the protests of disapproval which have been received from India are based mainly on the objections entertained to the proposals of the Government of India, and not against fixity of exchange?—I believe so.

5046. (Sir F. Mowatt.) You said that the unsteady exchange made trade with India speculative, and that was a disadvantage?—Yes.

5047. You did not say—I do not know whether you intended it—that that affected the volume of trade with India?—I do not think it affects the volume of trade so far as it is within my knowledge.

5048. Do you think it has affected either the jute or the rice exports?—The figures do not show that.

5049. Should you say there was any material export from India of which the volume has been affected within your knowledge?—No, there is nothing within my knowledge that has been affected.

5050. From what you have just said it would seem that the Burmah merchants have the same opinion—that the variation in exchange does not really injure the total volume of their trade?—The rice exports are greater this year than they have ever been before. With regard to that, I may say that the lowest point that jute ever touched was in 1882, when it went down to 2 rupees 8 annas after a rather large crop. The lowest point it has touched after the biggest crop on record is about 3 rupees. In 1883 exchange was about 1s. 7d. At 3 rupees, which I take as the lowest point, it was 1s. 4d.; and I do not know that anything more was said about the 2 rupees 8 annas, than the 3 rupees. The native of India complains now as much of 3 rupees as he did of 2 rupees 8 annas.

5051. (Sir J. Muir.) I think you stated that you understood the majority of the Chamber of Commerce of Calcutta disapproved of the proposals of the Government?—I said that the Chamber of Commerce had expressed disapproval, and I presume that that represents the majority who gave any opinion on the subject.

5052. Have you any information to lead you to suppose that the majority of the Chamber of Commerce approved or disapproved of the arbitrary rate of 1s. 4d. being fixed by the Government of India?—I can only answer that by saying that I gathered from the newspapers and from general conversation that they do not disapprove of the statement which was made by their president in the beginning of the year I think, based upon the understanding that 1s. 4d. was what would be aimed at; and I understand that when the Chamber was recently approached again on the subject as to whether or not they were in favour of the present proposals of the Government of India, out of 160 members about 33 replied, and I presume that the majority replied that they were not in favour of the proposals as contained in the despatch.

5053. Had that any bearing upon the rate of 1s. 4d.?—I do not think that it had.

5054. You have no information?—I have not got the question which was put to the members.

5055. (Sir D. Barbour.) You say that the intention of closing the mints was to steady exchange at the rate mentioned at the time. What was that rate?—What I meant was that the intention of the Government was to steady exchange.

5056. At what rate?—At the rate which they gave out.

5057. What was that?—1s. 4d.

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5058. My recollection is that 1s. 4d. was merely a provisional rate to prevent a sudden and great rise of exchange, and that the intention of the Government at that time was to close the mints and see what happened, and to fix the rate of exchange afterwards. I do not know whether you are prepared to say that you have information to the contrary?—I am afraid without referring back I could not say. My general impression was that they spoke of 1s. 4d.

5059. Other people have that impression too. If you can find any evidence that that view is correct, will you put it on the notes when you revise your evidence?—Yes.

5060. Now, you do not approve of a policy of drift under the present circumstances?—I do not.

5061. What would you propose to do?—As I have said, I can only speak with any certainty of what I understand, and I might have views which would have comparatively little value to the Committee.

5062. You are not prepared to make any suggestions as to what ought to be done?—I am prepared to say that what I want is convertibility of the rupee. With the slight knowledge that I have of the matter, I do not think that gold being in circulation in India is at all an essential part of any scheme.

5063. You do not wish to suggest any means to obtain that convertibility of the rupee?—No, I think not.

5064. You leave that to the experts?—Yes.

5065. You mentioned a case of a company having kept their money at a very low rate in England while they borrowed at 8 per cent. in India?—Yes.

5066. Did they find it a profitable operation?—No, I think it was more prudent than profitable.

5067. Perhaps if a similar state of things occurred again they might not keep their capital here?—Yes, I think they would under identical circumstances.

5068. You think they would still prefer prudence to profit?—If there was such great uncertainty as there was at that time.

5069. Why is there such a high export of jute this year?—There was a good deal sown last year after the famine. I think the general tendency with the natives would have been to have sown grain, but, of course, there is a scarcity of seed.

5070. Why is there such a high export of jute?—I think there was more jute grown last year.

5071. Was it a good crop?—It was not thought at the beginning to be a good crop, but it has been a fair crop.

5072. The jute that is produced is worked up partly in India and partly exported?—That is so, and the figures only deal with exports. The general tendency of the jute crop in India is to increase.

5073. There are more jute mills in Calcutta than there were?—Oh yes.

5074. And it is to be presumed that they have worked up more jute?—No doubt.

5075. There is also a larger quantity exported?—A larger quantity exported.

5076. And, therefore, we may fairly reckon that there has been a larger quantity produced?—Certainly.

5077. That would be quite independent of the rate of exchange?—Yes.

5078. Then why has there been so much more rice?—I believe the weather conditions have been favourable.

5079. That is another case of a good crop?—That is another case of a good crop. It appears on these diagrams that the jute crop and the rice crop have varied the same way.

5080. Do you think the tea trade has been affected by the continuous fall in exchange?—The tea trade?

5081. The production of tea in India and Ceylon?—I think the profits of the tea gardens may have been increased by the fall in exchange at the beginning.

5082. You think it would not last. Has it lasted or not, do you think?—I do not know very much about tea.

5083. (Sir C. Crosthwaite.) You say in your statement that the exchange rate has nothing to do with production?—Yes.

5084. Has it nothing to do with the export of what is produced?—I do not think the figures show that it has.

5085. In your experience, does a fall in exchange cause a merchant to lower his sterling prices?—I think that it always lowers sterling prices here.

5086. That is what I mean. Would not that increase the demand here? When you were able to put the article down here at a lower sterling price would not that naturally increase the demand for it here?—If the fall in exchange was sufficient to put the price down to a figure at which all manufacturers considered that buying jute was a perfectly safe thing it would, but I do not think that taking into account the production at the same time it has had that effect.

5087. Still you think that sometimes it does lower the sterling price?—I think the tendency is to lower the sterling price temporarily.

5088. And the lower the exchange falls the more rupees the Secretary of State has to sell in order to meet his liabilities; is not that so?—So I understand.

5089. Would the fact that the Secretary of State has to increase the sale of his rupee bills tend to increase the export?—I do not think it would have any effect on the exports one way or the other.

5090. Do you think if the Secretary of State has to take a lower rate, if he must sell his bills, and he lowers the rate in order to sell his bills, that that acts indirectly as a reduction of the sterling price?—I presume that it has the effect of lowering the exchange, and the immediate effect of lowering exchange is a tendency to reduce the sterling price here. But I think it all depends on supply and demand, and I think in any one year the effect remains very much the same either way. All I mean is, that if the statistical position of an article be good, a fall in exchange raises the rupee price. If it is bad a fall in exchange is an excuse for putting the sterling price down.

5091. (Sir A. Dent.) You say in your memorandum, "As long as there is any uncertainty about the Indian currency, the silver party in America will hope against hope that the mints will be opened, and will act accordingly." Then you go on to say, "When the Indian currency is effectually settled, the Straits Settlements may possibly join hands with India." May I ask if you have any special information about the Straits Settlements joining with India? Are they so bound up with Burma?—Joining with India has been talked about in the Straits Settlements, but I have no special information on the subject.

5092. (Mr. Holland.) You tell us that in your opinion the fixity of exchange is wanted even more by the country at large than it is by the prudent merchant?—I think so.

5093. Do you think the mass of the people care very much about the rate of exchange?—Well, I put the country before the merchants, who are a very small body; that is all. I think the country would benefit.

5094. You think it would be to the real interests of the country?—Certainly.

5095. You do not suggest that the country are clamouring for such and such a rate of exchange?—Oh, no.

5096. Because it is probably a question about which the people have not very much knowledge?—No.

5097. So that the actual interest in the question, is limited to the external trader, whether exporter or importer?—I think so.

5098. You expressed the opinion that fixity of exchange would have the effect of attracting capital once more to India?—I think so; undoubtedly.

5099. Do not you agree that before capital is to go out to India there must be a reasonable prospect of its permanent profitable employment there?—I think so.

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5100. You think that that prospect would be materially improved by fixity of exchange?—I think there is plenty of opening for the employment of capital in India if it can safely go there.

5101. You think it is deterred by the uncertainty in the matter of exchange?—Certainly.

5102. You instance the case of a London bank, which you say might have 100,000*l.* of gold in its vaults, but it might be too timid to lend that 100,000*l.* if credit were shaken. You do not suggest, do you, that that timidity has been operative in the case of the presidency banks lately, and that they have had very large sums in their vaults, but have been too timid to lend it?—No.

5103. Do you think if they had had money probably the 13½ per cent. you mentioned would have induced them to lend it?—You mean the presidency banks?

5104. Yes?—No doubt.

5105. You are aware that they have had the best security tendered to them, and yet have refused to lend?—That is so.

5106. You decline to say whether or not currency is redundant, but still you admit that it is very difficult to get hold of?—It is difficult to get hold of as loanable capital.

5107. Do you think the melting down of rupees would increase that difficulty or diminish it?—I do not think the melting down of rupees is necessary at all.

5108. Referring to the question of sending home capital, which you tell us has been resorted to largely, could you tell us from your own knowledge if much of it has been sent home in the form of rupees?—No; I think it has come home in the form of bills.

5109. So that the sending home of that capital has not diminished the stock of rupees remaining in India?—Presumably not.

5110. You speak with great authority of course on questions affecting the jute trade, and I think you have expressed the opinion that the Calcutta jute industry has not been in any way affected by the 1*s.* 4*d.* rate of exchange?—You mean the raw jute?

5111. Will you tell us what view is entertained by those who are engaged in manufacturing jute in Calcutta as to the policy of closing the mints. Has it affected them adversely or not?—I think it may have reduced their profits a little.

5112. What is your judgment as to the effect of a high or a low rate of exchange on the Calcutta jute manufacturing industry?—I think they would have made more money if exchange had been at 1*s.* than they are making at 1*s.* 4*d.*, in rupees.

5113. And of course they would rather have a condition of things which would increase their profits?—I think so.

5114. (*Chairman.*) You think they would have made more money if it had gone down to 6*d.*?—I think they would have made a great deal more. I think if I had a share in the profits of a jute mill I would like to open the mints; if on the other hand I had money invested in a jute mill I might from a broad point of view prefer to have it fixed at 1*s.* 4*d.*

5115. (*Mr. Holland.*) You expressed the opinion that Dundee has been advantaged by the improvement in exchange, and I suppose it would not be unfair to suppose that the Calcutta manufacturer would be at a corresponding disadvantage. What is to the advantage of Dundee would be to the disadvantage of Calcutta. Is not that so?—I think it would be a little.

5116. Do you think the Calcutta jute manufacturers are as largely dependent on their export trade as the Dundee manufacturers are?—I should think they were, but I have not figures as to that.

5117. You told us you were yourself disappointed with the proposals of the Government of India when you saw them, and you told us further that what you particularly desire is convertibility of the rupee into gold, and gold into the rupee, mutual convertibility, but of course you admit that that is a very hard nut

to crack?—That is all I want. I do not care how it is convertible.

5118. (*Sir J. Muir.*) Nor the rate at which it is convertible?—I think I would prefer to have it convertible at a rate which is current. I would prefer not to have it converted at a rate which may be a surprise.

5119. (*Mr. Hambro.*) You argue that currency may be loanable capital if it gets into the right channel. If I have any loanable capital and I want to lend it to you, how can I lend it to you except by lending you currency? What other means have I of lending it to you?—Well, you might accept my bill.

5120. I might give you an acceptance at three or six months?—Yes.

5121. Is the internal trade of India carried on on currency, on acceptances, or on payments in cash?—Well, I can only tell you what is done in my own business, and that is, that if I require cash in the country I draw bills on the Bank of Bengal, in Calcutta, and the branch house gives me currency.

5122. You have to do your business with currency. You raise your currency on acceptances, but you have to do your business with currency?—A certain proportion of it.

5123. Is not nearly the whole of the Indian internal trade carried on by payments in currency?—I am not sufficiently conversant with the internal trade of India to answer that.

5124. You say a banker having 100,000*l.* of gold in his vaults, that gold would not be available if credit were shaken. Would the banker be likely to lend his 100,000*l.* in any other form of loanable capital if credit was so shaken that he would not lend it in gold?—Probably not. I think that would equally apply.

5125. You rather seem to think that currency is not necessary for the carrying on of business; but if anybody were to give you a cheque on his banker in England, and he had not the currency at the bank to meet it, would not that be a fraudulent cheque?—If he had not a balance at the bank, do you mean?

5126. If the man had no currency at the bank, the cheque would not be paid?—Of course not.

5127. You said you had known an instance of a bank leaving its money here at 1 per cent., and borrowing in India at 8 per cent. I suppose that is only because it could re-lend it at a higher rate?—No. In the case I speak of (which may be one of many, of course) it was simply that the directors in London prefer to pay 8 or 10 per cent. or 11 per cent. in Calcutta, rather than run the risk of sending their money out to Calcutta at the then rate.

5128. May I ask, if they kept all their capital in England, what they were doing business with in India?—They were borrowing money at a high rate of interest.

5129. Because they would make more of it, else they would pay no dividends?—I quite follow that, but they wanted the money; that was the point.

5130. (*Mr. Campbell.*) You say that the want of fixity of exchange introduces a speculative element into business?—Yes.

5131. Has that been your experience as a merchant?—Yes, I think so.

5132. Take what I suppose to be the usual course of a merchant's business; a merchant in Calcutta has got to sell certain produce in London; he does it all by telegraphic advices, does he not?—Yes.

5133. He knows what prices he can get in London; he knows what prices he can buy produce at in Calcutta?—Yes.

5134. He knows the freight that he has to pay, and the only other question open is the question of exchange, is not that so?—Well, the three questions are open.

5135. I mean supposing he fixes two out of the three, why does he leave the other open; it is only if he leaves the other open that there is any speculative element entering into it?—I think in the bulk of the business which is done in Calcutta, in the bulk of the export of products, there are three items which have

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got to be covered, and I think I may safely say that in 99 cases out of 100 one item is not covered.

5136. Which is that item?—It may be any one of the three.

5137. (*Chairman.*) What are the three?—One is the cost of produce, another is the freight payable for the conveyance of the produce, and the other is the rate of exchange.

5138. (*Mr. Campbell.*) Why should he leave any one of these open?—In a great many cases, of course, it is impossible to do the business without having some risk in connexion with one of those three items.

5139. But it is his own option if he takes that risk?—Clearly.

5140. So that there is no necessity for any speculative element if the merchant chooses to fix up the whole transaction at the time?—In effect I think he would do no business if he took that view, and my reason for speaking particularly of the exchange is that, in connexion with the produce, there are certain things which are known to you—in connection with freights there are certain things which are known to you—but the eccentricities of exchange no one can safely forecast.

5141. But, of course, there is no difficulty in fixing exchange?—There is no difficulty in fixing exchange at a rate.

5142. Suppose a cotton-spinner in Lancashire is selling goods in Calcutta, the same three elements enter into the transaction. There is the price in Manchester, the selling price in Calcutta, the freight, and the exchange?—Yes.

5143. Is there any difficulty in fixing up all these four elements in the same way as may be done in the case of a shipment from the other side?—I do not think there is.

5144. There is another element there: you have to fix exchange for two or three months forward; you do not recover your rupees for, perhaps, two or three months, but you have no difficulty, have you, in fixing exchange?—Not from Calcutta; I am not conversant with it the other way.

(*Sir F. Mowatt.*) You have to pay for that.

(*Mr. Campbell.*) You may have to pay for that.

5145. Some questions were put to you as regards redundant currency; you have read the Government despatch, no doubt?—Yes.

5146. Do you see the distinction they make there as regards redundant currency—that a currency may be redundant if exchange goes to 1s. 4d., but may not be redundant if exchange remains at 1s. 2d.?—That is rather taking me out of my depth.

5147. Then Sir Charles Crosthwaite asked you whether a low exchange did not immediately affect the sterling price; but I put it to you whether, in the first instance at all events, it does not affect the rupee price on the other side; that is to say, that if a merchant or banker can buy a Secretary of State's draft at a low rate, the price in London remaining the same, he can afford, can he not, to pay a higher price for the produce that he buys?—He could, but I think it entirely turns on the question of supply and demand. I think in practice that is so.

5148. A low exchange, other things being equal, means a higher rupee price?—I suppose it might.

5149. (*Chairman.*) Did you tell us that a low rate of exchange does or does not affect the sterling price? Supposing you yourself are buying jute, or rice, or anything else from India, would the price be affected by the rate of exchange?—I think if there is a fall in exchange there is an immediate reason for putting down the sterling price here, and if the position of the article is such that they feel warranted in putting up the rupee price there, then we come back to the original sterling price.

5150. (*Mr. Campbell.*) Jute is a product peculiar to India?—Yes.

5151. It is not produced in any other country is it?—Not to any appreciable extent.

5152. Then it is an export from India which is not affected by competition from the farther east?—That is so.

5153. So that in the case of jute there is no loss to India from any bonus given by a low price of silver to any other country?—It is not affected in that way.

5154. Then you were asked about Calcutta as against Dundee. Dundee takes, does it not, a very large portion of the raw jute exported from Calcutta to be manufactured?—Yes.

5155. As between Calcutta and Dundee does the rate of exchange make any difference as to the buying power of the two places. I will put it in this way: Leaving out charges, freight, and so forth, take exchange at 1s. 4d.; if jute is say 120 rupees a ton in Calcutta that would mean 8l. a ton here, would it not?—Yes.

5156. Practically 8l. per ton in Dundee and 120 rupees a ton in Calcutta is the same price?—Would you mind taking 150 rupees which is 10l.

5157. Very well, they will be the same?—Yes.

5158. Then if exchange went to 2s. it would be 150 rupees and 15l.?—Yes, it would certainly.

5159. Then how is a saving effected in Dundee by a different price of the raw product?—There is no saving in the matter of the raw product, but there is a difference in the case of the manufactured article.

5160. But take, to begin with, the raw product. If exchange is 2s., 150 rupees in Calcutta will mean 15l. in Dundee. If exchange is 1s. 4d., 150 rupees in Calcutta will mean 10l. in Dundee?—Yes, but you cannot leave out—

5161. (*Chairman.*) First of all just give us your answer with regard to raw material. Mr. Campbell wants to know how the exchange affects that?—I think the jute put on board in Calcutta, is the same cost to both people.

5162. Now, do you want to give any explanation on your view with reference to the effect of that on the manufactured article in Dundee?—The point is that in the case of manufactured goods Dundee can probably compete with Calcutta better at a high than a low exchange, for the reason that wages take a long time to move in India, and at a low exchange rupees go further. Except in the case of expert workers, Indian wages have not materially advanced, and Calcutta, at a low exchange, must have an advantage till the inevitable adjustment takes place.

5163. (*Mr. Campbell.*) Is not freight a much more important factor than the question of exchange between Dundee and Calcutta. For instance, Calcutta has to pay no freight; it gets the jute and puts it into its mills on the spot. Dundee has to pay freight from Calcutta to Dundee before the jute gets into its mills at all?—Yes.

5164. Is not that a much more important factor than exchange?—No, I do not think it is, necessarily there is the question of wages and other charges, and in the case of exported manufactured goods, the Indian manufacturer has to pay freight to the port he ships his goods to. The freight on the manufactured article is less than on the raw product, but it is a charge which Calcutta has to pay equally with Dundee, except on goods sold in India.

5165. (*Chairman.*) Would not the low rate of exchange be to the advantage of the Calcutta manufacturer?—Very much.

5166. And therefore to the disadvantage of Dundee?—Yes.

5167. (*Mr. Campbell.*) Then you said Dundee would be better off with the exchange at 2s. Does that mean that the disadvantage to Dundee in the way of freight and wages would form a smaller proportion on an original cost of 2s., than on an original cost of 1s. 4d.?—Yes, I think so.

5168. That is what you mean, is it?—

5169. (*Mr. Le Marchant.*) When you were speaking of the various conditions to be settled in a transaction, I think you mentioned the purchase price,

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and the freight, and the exchange, as the three conditions. The sale price also comes into the transaction, does it not?—Yes.

5170. So that really there are four conditions that have to be fixed at some time or other?—Yes.

5171. Is it common in trade to have some one condition, at least, unfixed for the moment?—I think that in many cases that is so.

5172. In fact it would not be very easy always to fix all four simultaneously, with a good margin for profit, owing to competition?—I should think in the past that is so.

5173. Would you say that sometimes sales are made in advance so as to fix that condition first, leaving the others to follow. There is no particular order in which they are fixed?—No.

5174. Do you consider that so long as exchange is a very variable condition, the fact of its being so variable does produce a difficulty?—Yes, that is what I argue.

5175. You were saying just now that taking the view of a capitalist having money in a jute mill as contrasted with the view of the manager of a jute mill, an owner of shares might prefer to have a stable rate maintained when the manager would prefer to have a falling rate. On what do you found that view of the shareholder?—My view is that the shareholder's capital would be safer, while possibly his return would be a little less than it would be if exchange were to fall.

5176. But looking at the less price that he might realise one day or other on the return of his capital,

he might consider that the future exchange was more important than deriving a temporary gain?—That is what I think might be the view. Of course I further think that the result of fixity of exchange and convertibility of the rupee would be to turn a good many of the 10 per cent. Indian investments into 5 per cent. investments.

5177. Would that come from capital flowing out there?—Certainly that is the view I should take if I had money in a jute mill.

5178. That might in various ways be of advantage to the country, but not to particular holders of shares at this moment?—In the long run I think it would be an advantage also to the holders of shares.

5179. Of those particular shares?—Of any shares, I think.

5180. Would you explain in what way you think that would be so?—For instance, in the tea industry, which is one that I do not know very much about, I understand that a 10 per cent. dividend on an ordinary share is looked upon as being about what an investor ought to get in view of the risk of exchange and other things. If that industry is on a sound basis, I think the result of a convertible rupee would be to add very largely to the capital value. If they were earning 10 per cent. it would reduce the investment to a 5 per cent. investment.

5181. Because, you say, of the certainty of eventual realization—the safety of the capital?—Well, would not that be more than compensated?

5182. I should like your view about it?—I think they would. Of course it is only an opinion.

The witness withdrew.

The Hon. Sir WALTER HELY-HUTCHINSON, G.C.M.G., called and examined.

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5183. (Chairman.) You are Governor of Natal?—Yes.

5184. How long have you been in the Civil Service?—24 years.

5185. Will you just tell the Committee what parts of the world you have been in?—Fiji, Australia, Malta, the West Indies, and in South Africa.

5186. You have had a great deal of experience in various currencies in various parts of the Empire?—Perhaps it is too much to say that. I have always taken a great interest in the question of currency. We had particularly in Malta a very serious currency question at one time about the demonetisation of the Sicilian dollar, and there have been questions of currency in the West Indies. I was asked for information about them, and made Reports to the Colonial Office on the subject.

5187. Perhaps you will tell us shortly what you regard Mr. Lindsay's scheme of establishing a gold standard for India to be. Just tell us first what it is as it presents itself to your mind?—It is a scheme for establishing a gold standard with a gold reserve in London, but I did not understand that Mr. Lindsay proposed to do absolutely without a gold currency. He proposes also that there should be a reserve—that a certain amount of money should be borrowed, and then more money borrowed, if necessary, for the reserve. Mr. Lindsay tells me that it was always his intention to propose an absolute guarantee.

5188. Of the British Government or the Indian Government?—I propose a guarantee of the British Government, because I think it is the only guarantee that will suffice to secure a gold reserve.

5189. Mr. Lindsay's scheme originally was a guarantee of the Indian Government?—I did not even know that he proposed a guarantee at all. All he proposed originally was a reserve of 5,000,000*l.* of gold. Then he proposed 10,000,000*l.* or else 5,000,000*l.* backed by an import duty on silver, and that there should be further powers of borrowing; but as I understood the scheme there was no definite statement that under all circumstances the gold reserve was to stand.

5190. (Sir J. Muir.) I understand he proposed that the Government of India should give the guarantee under his scheme?—Of course there was no definite statement that no matter what demands were made on the reserve the Government of India would guarantee it.

5191. (Chairman.) I agree with Sir John Muir; I understood Mr. Lindsay's proposal to be a guarantee of the Indian Government, and you say now that that is his scheme?—Yes, if you look at it in that way. The points in which my scheme differs from Mr. Lindsay's are two; first, that there should be an absolute guarantee of the gold reserve by the British Government, and that no maximum should be named. Secondly, that there should be a limitation of legal tender in India that gold should not be received, even in payment of taxation.

5192. Just modify it now as you consider it to be. What have you to say about it?—The great danger appears to be that the reserve should be attacked by gold speculators. They might combine in an attempt to break it down by calling in rupees in hope that the Government would be compelled to abandon its position and the rupee would fall.

5193. You mean that if sterling drafts could be converted into rupees at 1*s.* 3½*d.*, and if the sovereign were legal tender it might lead to the transfer of a considerable amount of gold to the currency?—Yes, the reason I want to propose that the sovereign should not be legal tender is that I want to keep gold out of India as much as possible.

5194. Will you tell the Committee why you want that?—Provided that rupees can always be turned into gold drafts at the fixed rate for the purpose of settling external balances, and the automatic expansion and contraction of the rupee currency can be provided for, there seems no reason why the sovereign should be introduced into India as a current coin, and it is submitted that on the balance of advantages and disadvantages it is better that it should be excluded from the currency. For the great mass of the population a gold currency would be useless. If the sovereign were legal tender some gold would find its

way into the Indian currency, some people think a good deal. This would enlarge, and it is submitted unnecessarily enlarge, the currency use of gold and correspondingly contract the currency use of silver. The former would bring a permanent supply of sovereigns and half-sovereigns within easy reach.

5195. In other words, what you suggest is that the fixing of a rate should be confined exclusively to exchange purposes?—Exclusively.

5196. What Sir John Lubbock happily, I think, called an exchange standard?—Yes, no doubt that would be the name for it.

5197. And you would confine the use of gold entirely to the balance of transactions between England and India?—Entirely.

5198. Now where does Mr Lindsay's proposal differ from Sir James Westland's on that point?—I understand Sir James Westland's proposal to be that gold should be a legal tender in India altogether. Mr. Lindsay did not propose to interfere as far as I understand with the present arrangement that gold is receivable in payment of taxes, which practically makes it a legal tender.

5199. Can you give any precedent for a currency being received in payment of taxes and not receivable for any other purpose?—No, I cannot, but Mr. Lindsay informed me yesterday that gold was not a legal tender in India.

(*Sir F. Mowatt.*) It is a legal tender for the purpose of paying taxes.

(*Sir D. Barbour.*) It is not a legal tender, but the Government will take it.

(*Witness.*) The Government will receive it in payment of taxes under notification No. 2263 of June 1893.

5200. (*Chairman.*) That is purely a part of what may be called the present transition policy. The Government under their notifications No. 2262–2263 of June 1893 will receive gold at the equivalent value of rupees at 1s. 4d.?—In payment of taxes.

5201. If you take gold they will give you rupees?—No, under the second notification of 1893 it is simply that they will receive gold in payment of taxes.

5202. (*Sir D. Barbour.*) They receive it in payment of Government dues, but they will not force you to take it?—It is not a legal tender no doubt, but it is legal tender to the extent that if gold is offered in payment of taxes they will not refuse to take it.

5203. (*Chairman.*) It practically comes to the same thing, because they will take rupees at the 1s. 4d. rate?—Yes. Then to continue my statement on this particular point, the fact that rupees only would be legal tender would act as an additional check on any attempt to deplete the London gold reserve by presenting at the Indian Gold Standard Office rupees which are really required for currency purposes. If gold were a legal tender, sovereigns could take the place of the rupees so withdrawn; with gold not a legal tender, except at the Indian Gold Standard Offices, any rupees thus arbitrarily and speculatively withdrawn from the currency should tend to flow back into the currency from the Gold Standard Office.

5204. Suppose I am a speculator in India and I have a large amount of silver which I want to turn into gold and I buy drafts on London at this rate, and those are cashed in London in gold, what is to prevent my exporting that in bullion to India?—There is nothing to prevent you exporting it, but the thing is you will have less use for it when it gets to India.

5205. Supposing I want to hoard it, will not the effect of the operation be that I have turned my silver rupees in India into gold bullion which I can hoard?—Certainly.

5206. And of course I can export if I wish?—All I can say is that if gold is not legal tender there will be less temptation to do that because there will be less use for the gold.

5207. There would be the danger but less probability of the danger being incurred?—When you contract the currency, directly there is a demand for

trade purposes there is a tendency towards expansion, a tendency towards gold coming in to fill up that demand.

5208. Your argument being that although rupees might be turned into gold that would limit the number of rupees in circulation, because gold would have to be taken in exchange for rupees?—My argument is—

5209. I want to see what the effect will be first, and we will have the argument afterwards. Suppose that a bank or anybody else in India has a certain amount of silver; they buy a draft on London, which they pay for in India with silver. That is convertible into gold in London; so many rupees are taken out of circulation in order to obtain that gold?—Certainly.

5210. And that restricts the currency?—That contracts the currency to that extent.

5211. The gold not being in circulation you have reduced the currency?—Yes, and that tends to strengthen the reserve. That is all I have to say on that particular point. Then it is proposed that in the event of exchange tending to rise above the gold point new rupees are to be coined "at the discretion of the Government." Under the conditions of the modified scheme the Gold Standard Office would discharge with reference to the rupee currency functions analogous to those discharged by the issue department of the Bank of England with reference to the British paper currency. Rupees will, in effect, become promises to pay 1s. 3½d. in gold in London at the Gold Standard Office.

5212. They would be a token currency?—They would become promises to pay.

5213. That is one way of putting it. They would become promises to pay, but those promises to pay would only be redeemed in London in gold?—Yes, in London. Perhaps you will allow me to proceed a little further. The Indian Gold Standard Office would have a branch or branches in India where the rupees would be presented for payment, and from which rupees would be issued on deposit of gold either in England or in India. You must look on the Gold Standards Office as one, whether in London or India—branches of each other. You present gold in India or London and immediately get rupees in the same way as if you deposit gold in the issue department of the Bank of England you get notes.

5214. (*Sir F. Mowatt.*) Do you mean that any person taking to one of those branch offices 15 rupees could buy a sovereign?—No, there is a minimum limit and the sovereigns will be obtainable in London only.

5215. What is that limit?—In Mr. Lindsay's scheme it is 1,000l. or 15,000 rupees, but that is a matter for consideration.

5216. But that limit would obtain in the branch Gold Standard Offices in India?—Certainly. I do not mean to enable anybody to take 15 rupees and get a sovereign. The Government would have no power, *per se*, to withdraw or issue a single rupee. The amount withdrawn, the amount issued, would depend entirely upon the public demand. Payment of rupees into the Gold Standard Office against gold drafts on London would have the same effect, so far as the rupee currency is concerned, as payment of notes into the issue department of the Bank of England against gold for export would have on the British paper currency; it would contract the currency. Issue of rupees against gold paid into the Gold Standard Office, whether in London or in India, would have the same effect on the rupee currency as an additional issue of notes against additional deposits of gold in the issue department would have on the British paper currency; it would expand the currency. And as, *ex hypothesi*, rupee currency would be the only currency in India, the contraction and expansion of the whole Indian currency would be automatic. That is a point on which very great stress has been laid.

5217. (*Mr. Hambro.*) You would give rupees against gold, and gold against rupees?—Yes.

5218. In India?—No, in London!

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5219. Not in India?—Certainly not in India—in London. You bring the rupees to the Gold Standard Office in India and you get a draft upon London. The great object is not to move gold from London. The Indian mint would stand in the same relation to the Indian community as the note manufactory of the Bank of England stands towards the British community—a manufactory of promises to pay which can only be issued, in future, against deposits of gold.

5220. (Chairman.) But is not there this difference; that the Bank of England has always bullion, or the equivalent of bullion, say, for the Government debt against its notes?—I am coming to that.

5221. (Mr. Hambro.) Would it not be half of that. The bank gives you notes for gold, but it gives you gold for notes. That would be only half?—Perhaps I might be allowed to say that to-day Calcutta is practically nearer to London for exchange purposes than Dublin was at the beginning of the century because of the telegraphic transfers. I want you to consider the Gold Standard Offices as one office.

5222. (Chairman.) I want to get at the real kernel of the thing, you know very well that the Bank of England issues its notes against, so to speak, two supports behind it. It issues its notes against actual bullion, or it issues its notes against the Government debt and securities?—Yes.

5223. Does the Bank normally issue notes against securities?—The original issue of 14 millions is against securities. I take that expression “loans and securities” from Mr. John Stuart Mill’s book.

5224. But they are Government loans and securities?—Yes.

5225. From the Banking Department the Government has large advances; the Bank does not issue a single bank note against that; but the Government owe the Bank of England 11 millions, and in addition to that there are the lapsed issues of the provincial banks. When you have passed those two limits the Bank of England cannot issue a 5*l.* note unless there is 5*l.* in their vaults against it?—That is so.

5226. Then do you propose that your issue of rupees is to be analogous to the issue as against bullion, or to the issue as against Government debt?—If you will allow me to go a little further it will answer your question. The Indian mint would stand in the same relation to the Indian community as the note manufactory of the Bank of England stands towards the British community, a manufactory of promises to pay which can only be issued, in future, against deposits of gold. The existing issue of rupees would be on a basis analogous to that of the fixed portion of the note issue which is based on loans and securities.

5227. That is exactly what you are putting?—Exactly.

5228. Do you mean taking the existing silver currency in India at 120 crores, the Government of India would be entitled to treat that as equivalent to bullion—equivalent to a gold deposit at the Bank?—It is the foundation of Mr. Lindsay’s scheme.

5229. That would be so?—Yes.

5230. Then you would say any further issue beyond that must be absolutely against gold?—Absolutely against gold. The only question is whether the Indian Government or the British Government can take the risk of backing the present active currency to the extent of 120 crores.

5231. Do you think that your scheme would require that amount of backing, I mean in its practical bearings?—I respectfully submit that if you get the backing of the British Government, the risk is practically reduced to a minimum because nobody will attack it.

5232. You mean the guarantee would be so absolutely unassailable that it would never be attacked?—That is it. It would be so overwhelming that no association of speculators would dare to attack it; they would not think of it for a moment, they would have to lock up an amount of capital greater than the British Government could afford to guarantee, that is

what it would amount to. Then, future issues of rupees could only be made on a gold basis, and as fresh issues of notes can only be made through the issue department, so it is proposed in the modified scheme that fresh issues of rupees may only be made through the Gold Standard Office. That is practically all I have to say.

5233. What you mean is that as a fresh issue of notes by the Bank of England can only be made through the issue department of the Bank of England against bullion in the cellars, so fresh issues of rupees could only be made through the Gold Standard Department, which on behalf of the Government of India would be holding gold against it?—Yes, it is only to enable the public to understand clearly that no fresh issue of rupees will be made except as against gold.

5234. Gold is the ultimate measure of value?—Gold is the ultimate measure of value.

5235. And you think the effect of that would be that there would be no longer hesitation in taking rupee drafts, people knowing that they could always obtain gold for them?—That is the effect of the scheme to fix a rupee at that price.

5236. (Mr. Campbell.) You say, “the Gold Standard Office would discharge with reference to the rupee currency functions analogous to those discharged by the issue department of the Bank of England with reference to the British paper currency?—Yes.

5237. That is, if you pay 100*l.* in gold to the Bank of England they give you a 100*l.* note, and when you present that 100*l.* note again they will give you gold for it?—Yes.

5238. That is simple enough, but your scheme goes further than that, and says that if you present 100*l.* to the Gold Standard Office they will give you so many rupees for it; and that if you present so many rupees to the Indian Gold Standard Office they will give you so much gold for it?—If you present so many rupees to the Gold Standard Office they will give you a draft on London.

5239. Which is, eventually, so much gold?—Exactly. Of course there is a minimum limit; that is a detail.

5240. Is not that introducing a most important complication. Is the analogy the same as for the Bank of England to take 100*l.* for a gold note and give you back that 100*l.* on presentation of the note. That is a very simple matter, but is not it a very complicated responsibility, anybody undertaking to convert silver into gold or gold into silver at a fixed rate?—The paper is worth absolutely nothing.

5241. Still, it represents 100*l.* of gold as being given for it, and it can command that 100*l.* in gold again; but this scheme says that they will take 100*l.* of gold from you and undertake to give you so many rupees for it, or they will take so many rupees from you and undertake to give you so much gold for it. A gold note against gold is a different thing from turning rupees into gold or gold into rupees?—I admit that that is a distinction, but it is scarcely a difference. The Bank of England note depends for its value upon the legislation of the British Parliament, which has guaranteed practically 14 millions of these notes upon Government loans, and provided that those shall be exchangeable against gold. In the same way the rupees will be given this fictitious value—I admit at once that it is a fictitious value—by the guarantee of the Government to the extent of 120 crores of rupees, and the provision that no further rupees are to be issued except against gold.

5242. But is not that undertaking a much more serious responsibility to convert rupees into gold than merely to pay a gold note in gold?—I think it is only more serious because the amount of undefended currency in India is so much greater than it is in England. It is 120 crores, I think.

5243. (Chairman.) Do I understand you to say that you consider that the Government guarantees 14 millions of the Bank’s circulation?—I do not say

that it guarantees it, but the Bank was authorised to issue that amount of circulation against 14 millions of Government loans and securities.

5244. I think for the sake of the argument it would make it clearer if you assume that something has happened, which I hope will happen at a not very far distant date, viz., that that debt is paid off. Assuming that that debt is, as I think it ought to be, paid off by the Government, and that no relationship exists at all between the Government and the Bank of England, will you then answer the question on that basis; assuming that the Government has paid them in cash, or the equivalent of cash, and that the transaction is at an end as between the Government and the Bank?—In that case the difference between the two arrangements would be that in the case of the Bank of England notes they would be founded entirely on gold, and in the case of rupees they would be founded to the extent of 120 millions, which would be gradually reduced year by year on the guarantee of the Government.

5245. (*Mr. Campbell.*) You are aware no doubt that India has a large amount of sterling money to remit every year in payment of home charges something about 17½ millions?—Yes.

5246. It is on the excess of exports over imports that India must depend to pay that debt?—Yes.

5247. Is it your belief that the question of exchange has anything to do with the lessening or increasing the balance of trade in India's favour; that at a high exchange she could not command the same balance of trade as she could at a low exchange?—I should say that that exchange would rather be the result than the cause of any balance of trade. If there is an unfavourable balance of trade the exchange would fall; if there is a favourable balance it would rise.

5248. Then the two act on each other. If you get a larger balance of trade at 1s. 2d. than at 1s. 4d., you would argue that 1s. 4d. would have an unfavourable effect on the trade balance?—I do not admit that. I say that the exchange would no doubt rise and fall with the balance of trade, but I am not prepared to say that an artificial altering of the exchange would have any effect on the balance of trade.

5249. Suppose India was not able to draw that full 17½ millions, with the exchange at 1s. 4d., to enable her to do so she might be obliged to let the exchange drop to 1s. 2d.?—I do not think that would happen if you had a guarantee.

5250. I am speaking of the balance of trade as bearing on India's ability to pay her sterling debt. I will put it in this way. The larger the amount that the council have to sell the lower the rate they will get. Is not that so. If they had only to sell 10 millions they might get 1s. 4d., whereas if they had to sell 20 millions they might put up with 1s. 2d.?—You are dealing with a proposal to put matters in an artificial situation. Provided you had a scheme such as Mr. Lindsay's I am inclined to doubt whether the exchange would fall even with an increased demand for remittances from the Government of India.

5251. It might not fall so long as the Indian Standard Office was issuing its gold drafts?—Directly the Indian Standard Office closes and you break the reserve, down goes the rupee. That is admitted from the first.

5252. Suppose exchange showed a tendency to fall below your fixed rate, say of 1s. 4d., would you contemplate allowing the Government of India to make its remittances through the Standard Office?—I do not think it matters whether the Government makes its remittances through the Gold Standard Office or not. It is merely part of the total quantity of remittances made during the year.

5253. But if in order to get the full amount of the remittances the Indian Government availed itself of the existence of the Indian Gold Standard Office that

would soon deplete the reserve fund?—It might for the time, no doubt.

5254. And if from an adverse balance of exchange or a tendency of exchange to fall the gold standard reserve were exhausted they would have to begin borrowing again?—Certainly, but there would be the usual correctives at work. It seems to me you are going on the assumption that India is a country that cannot afford to keep the rupee up to 1s. 4d.

5255. Do you think that the guarantee of the Government would inspire sufficient confidence to prevent anything in the shape of what you might call a run on the fund?—Yes. You will please to understand that I have no practical knowledge of India. All I know is from what I have been told in conversations with people who know India. I am told that the great danger is an attack on the reserve by bullion speculators. With reference to the question you have asked me, I should say that the guarantee of the British Government of the reserve would render such an attack altogether impossible. Nobody would attempt it.

5256. Is it within your knowledge or have you heard that there are large hoards of rupees held in India by such people as the native rajahs?—Yes, I have heard that.

5257. Suppose these holders of rupees thought it expedient or in their interest to turn their rupees into gold. There would be nothing to prevent their going to the Standard Office and taking drafts?—Nothing whatever.

5258. And if that were done to any large extent it would impose a very heavy burden on the Government?—Extremely heavy, but not nearly so heavy as the burden of going back to a silver standard which seems to be the only alternative.

5259. Contracting the currency would tend to make money very dear, would it not?—The currency would only contract according to the necessities of India under this scheme.

5260. But if there was any desire to turn the rupees into gold for remittance home, that would have an effect. Would not that have a prejudicial effect on exchange?—Yes.

5261. I mean an effect on trade?—Yes; but trade, requiring more currency, the silver would tend to flow out of the Gold Standard Office if there were an over contraction; it would remedy itself.

5262. Does that imply, then, that if there were a tightness of money it would cause a counter flow of rupees back to India?—I would not go so far as that, but if people find that they are short of currency all they have to do is to go to the Gold Standard Office and get more.

5263. (*Mr. Hambro.*) The chief difference, I think, between your scheme and the one we have heard about is that you would put the English Government behind the Indian Government?—That is the chief difference.

5264. Indian 3½ per cents. are 92 and English 2½ per cents. are at 102. Parliament would, no doubt, have that in mind in considering this proposed guarantee?—Quite so.

5265. Do you think that Parliament would guarantee an unknown quantity?—That is not for me to say; that is for wiser heads than mine.

5266. The basis of Mr. Lindsay's scheme is, if I might say so, a famine of currency?—I do not think so. I think that is the basis of the Indian Government's scheme. The Indian Government propose to withdraw 10 crores in order to contract the currency and suck in gold.

5267. Where the rate is already 12 and 13 per cent.?—Yes, that is the Indian Government's scheme and not Mr. Lindsay's scheme.

5268. Mr. Lindsay's basis is that there could not be a run on the bullion office in India, because currency could not become more contracted than it is now, the amount of currency in India being necessary for the trade thereof?—That is a point about which Mr. Lindsay can speak and I cannot.

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5269. The only reason why too much currency might not be presented in India for exchange on London would be that there was not enough currency to be presented?—Quite so; that you want more currency in India.

5270. I think you have said that the balance of trade has to be satisfied somehow or other?—Certainly.

5271. Should, on account of wars or famine, or anything unforeseen, the balance of trade be against India, that balance I suppose would have to be paid through the Indian Gold Standard Office?—Yes.

5272. And in that way gold in London would be used to satisfy the balance of trade?—The gold would not go to India, because it would not be a legal tender.

5273. But the balance of trade in London would be satisfied by, instead of remitting gold from India, taking money to the gold office and remitting drafts?—Yes; rupees would pour into the gold office and gold would come out at the London end.

5274. Might not this be a large amount in any one year?—I admit that.

5275. And during this operation would you limit the price at which the Council could draw?—I should leave it entirely automatic. The Council would draw at the best price it could. And if it could not get a better price than the Gold Standard Office, it would have to resort to the Gold Standard Office.

5276. Then you would limit Council drawings to 1s. 3½d.?—That is the lowest rate to which exchange could fall under Mr. Lindsay's scheme.

5277. Supposing the Indian Council wished to sell more bills in London than there were buyers at 1s. 3½d., would you limit them to that price?—Certainly. The essence of the scheme is that the rupee is not to fall below 1s. 3½d. in India, and in order to maintain that, if you cannot get those rupees in the open market at 1s. 3½d. you must resort to the Standard Office.

5278. That might be again a very large drawing on the Gold Standard Office?—No doubt, I admit the risk. My scheme is Mr. Lindsay's scheme with some very small alterations.

5279. (Mr. Le Marchant.) You view the rupee as practically metallic notes?—That is the idea.

5280. Which would be convertible in London into sterling?—That is practically the idea.

5281. Would you view every conversion as necessarily into gold? Would it not be, in the first instance, into a sterling draft. I am drawing a distinction between actual gold and a draft payable in sterling, which in the majority of cases might operate merely as a remittance to London?—Yes.

5282. And which, if I understand your plan, might follow exactly the same course that any draft on a London bank follows?—All you would get at the Gold Standard Office in India would be a draft on London, and you cannot tell what course that draft might take.

5283. I am asking whether it is necessarily drawn out in gold in London?—I do not know enough about London banking to say. Of course, paper is sometimes kept for a long time without being realised, and there are questions of interest.

5284. Or it might be possibly presented through the clearing house?—Yes; the person who got it could do what he liked with it. I presume it would be presented at the London Gold Standard Office.

5285. On what considerations would you found any estimate of the possible demand on this Gold Standard Office fund in London?—There have been a great many calculations made. The maximum calculation that I have seen is 215 crores. That means if every rupee in India were to be poured into the Gold Standard Office. Of course that is an enormous sum—141 millions sterling.

5286. For practical purposes what considerations would you found an estimate upon?—I should not like to express an opinion upon that point. There are men who know much better than I do, and my opinion would not be worth much. I should say

about 10 crores, but really my opinion on the subject is worth nothing.

5287. Do you consider that such a demand might arise either from currency conditions such as a redundancy, for instance, through rupees coming out of hoards, and increasing the volume of the currency or from adverse trade conditions. The two are somewhat different in their nature, are they not?—The amount of the hoards in India is not known; it is supposed to be about 50 crores. Mr. Atkinson I see puts it at 50 crores. That would be the total amount that you might expect to be drawn on that account. As to adverse trade conditions, of course if India got into a bankrupt state, as has been well said, the adverse balance of trade might possibly exhaust the reserve.

5288. I think you were speaking of the influences that would tend to right exchange under such a scheme?—Yes.

5289. You spoke of the contraction that would arise from the payment of rupees into the Standard Office in India. Do you consider that that would in the first case lead to a higher discount rate?—The whole system would be so artificial that it is very hard to accurately forecast what would be the result; but I should say that if the currency unduly contracted, discount rates would rise; but that would depend on the Gold Standard Office expanding the currency, and running down the discount rate.

5290. But in the first instance the effect would be similar to a drain of gold from London to abroad?—I do not think that it would. I say it would tend to raise the discount rate in India, and gold would be paid to the London Gold Standard Office in order to secure rupees in India.

5291. As a drain from London does?—Yes, the discount rate in India, I believe, at this moment is very high, as they say that the currency is so contracted. That is the reason alleged for it. Well, if you have a Gold Standard Office which will always give you rupees for gold, and people are sure that they will get back practically the same rate of gold when they bring their rupees back, the thing would right itself at once; the currency would expand.

5292. You would have a corrective of exchange in that direction?—Yes, it is there ready to your hand; of course it all depends on the confidence of the people in the future of the rupee.

5293. So far as remittances would be provided by drafts on the London Sterling Office, would that have the effect of cheapening export bills. Do you think that by providing an alternative mode of remittance you might thereby supply a certain number of remitters with the remittances they wanted, so that bills against exports would then tend to come into the market at rates that would induce business?—I think if you provide that, a man shall always get drafts for rupees at 1s. 3½d. it will practically make the sellers of bills against exports less inclined to hold for low exchange rate.

5294. They would be at a relatively easier rate?—An easier, and above all a steadier rate.

5295. In fact currency would be more readily provided for India at the time the trade required it and equally remittances on London would be more readily provided?—That is the object of the whole scheme. That there should be no difficulty whatever about the expansion and contraction of the currency.

5296. And it would follow the same order of things that prevails at present between two gold-using countries?—Yes, it would do away with what Lord Farrer has called the break of gauge between a gold and silver-using country. The measure of value in India would be gold instead of silver, and you get rid of the nominal exchange.

5297. Do you think there would be any greater inducement under such a system to the owner of hoarded rupees to buy drafts on London in order to obtain gold than exists now when exchange is or has recently been about 1s. 4d.?—I should say that there would be a greater inducement because they would

know that the amount of exchange which they could get at the fixed rate would be unlimited.

5298. Do you think there would be a greater incentive to hoard gold under your system than there is at present?—I do not say a greater incentive; there would be, I think, if you were to make gold a legal tender in India.

5299. How would you provide a stock of rupees on the other side for fresh currency out of the sterling fund in London? Assuming that gold is paid in for additional currency in India how would you provide those rupees?—The Gold Standard Office must provide rupees. My proposal is that the Gold Standard Office should transfer gold to the Indian balance in London, and that the Indian Government should buy the rupees and coin the bullion, and transfer them to the Indian Gold Standard Offices.

5300. If later on the tide of remittances turns the other way and those rupees come back on the Government against a demand for sterling drafts, do you contemplate that they will have to be melted and sold to provide the means of paying?—They might have to be. You are supposing a very large fluctuation, are you not.

5301. Might it not be possible, if you had a large expansion of currency at one time from such facilities as you would give, that that in itself might render a reaction afterwards more probable?—Yes, no doubt. The further the pendulum swung one way the more it would be liable to swing the other.

5302. So that just so far as you were liable to be called upon for coined rupees you would have to provide for the prospect of taking them back?—Yes, deducting always the wear and tear of the silver.

5303. (*Mr. Holland.*) Might I ask you if you approve of the proposals of the Indian Government?—Well, I wish to speak with all humility, but they do not recommend themselves to me.

5304. You prefer Mr. Lindsay's proposals?—I prefer Mr. Lindsay's proposals.

5305. And you prefer your modified Lindsay to Mr. Lindsay himself?—I have suggested some modifications—slight modifications; it is practically Mr. Lindsay's scheme.

5306. Are you aware that practically Mr. Lindsay himself has admitted that the weak point in his scheme is the indefiniteness of the liability which will be incurred under it?—I am not aware that he has admitted that, but I am ready to admit it.

5307. You do not avoid that?—No, I admit that.

5308. You say under your scheme you would not fix a maximum?—I do not fix a maximum.

5309. Nor does Mr. Lindsay fix a maximum?—He did originally, as I understood; but he tells me he intended the guarantee to be absolute.

5310. You would rely on the guarantee of the Imperial Government to repel attack; but I understand that Mr. Lindsay was relying only on the guarantee of the Indian Government?—Only on the guarantee of the Indian Government.

5311. If Mr. Lindsay's scheme were backed by the guarantee of the Imperial Government, would that remove any of your objections to his scheme?—Well, it is the same thing, the guarantee of the Imperial Government.

5312. You admit that convertibility is essential?—Yes; I think we ought to approach as near a natural situation as possible.

5313. But you do not contemplate absolute convertibility in both directions, in both places: that is, both in India and in London. You would have, I understand, convertibility of gold into silver, both in India and England, to an unlimited extent?—Yes.

5314. But you would not have convertibility of silver into gold except in London?—Just so; the great object being not to do anything to deplete the general balance of gold in London.

5315. I understand you to say in your view there would be no strong inducement to prefer gold to silver for hoarding purposes?—Not if gold was a legal tender, but that is a second-hand opinion derived from

conversation with people who know India. They say that if the Indian hoarder got to know that a gold coin would pass, then he would save in course of time five or six rupees and buy half a sovereign because he would rather have that than six rupees, because half a sovereign would be more easily hidden.

5316. But you would admit that the man hoarding gold would have an advantage on the score of intrinsic value over the man who hoarded rupees?—That is another point. There would be that artificial value.

5317. You intimated your opinion, and, of course, it is obvious that the public should have absolute confidence in the rupee?—That is absolutely necessary.

5318. Do you think that if, instead of aiming at 1s. 4d., a lower rate were aimed at, the public would be likely to have more confidence?—I do not know why they should. It would mean so many more rupees to be paid by the Government of India for their annual remittances.

5319. (*Sir A. Dent.*) Is it, in your opinion, an essential part of Mr. Lindsay's or any similar scheme that the amount should be limited to 1,000l. as a minimum?—I think the higher that limit is the better.

5320. The object of that is to keep out the small operator and the small speculator?—Quite so.

5321. But is it not extremely likely in a country like India that they will get together 10, 20, or 100 of them, and that that object would be defeated?—It would always act as a break, as it were.

5322. (*Sir C. Crosthwaite.*) You admit that there are conditions under which the Secretary of State might have to draw on the gold reserve fund in order to meet his liabilities?—Yes, I admit that.

5323. Are those conditions peculiar to Mr. Lindsay's scheme and yours?—I should say they were peculiar to any scheme which guaranteed the value of the rupee at a certain amount.

5324. If the Secretary of State drew on the gold reserve, would not that be the same as borrowing?—Practically.

5325. Is he not compelled now to borrow to meet his liabilities when he cannot sell sufficient bills?—I have been told so.

(*Sir F. Mowatt.*) Sufficient bills at a price which suits him.

5326. (*Sir C. Crosthwaite.*) Suppose he has not got the rupees in India. There are two cases. Suppose he stops selling because he cannot get his price, or he does not sell, because he has not got the rupees to sell. Under those circumstances he is obliged now to borrow?—Yes.

5327. So that if the net exports from India were not sufficient in any year to cover the liabilities the Secretary of State would be forced either to default or to borrow?—Certainly.

5328. That might occur under any scheme?—Of course, directly there was an adverse balance of trade.

5329. There is one point in which Mr. Lindsay differs from you that I think you have overlooked. Mr. Lindsay said that under his proposal the Secretary of State should continue to sell bills no matter what rate he got?—Yes.

5330. Whereas I think you said that he should not go below 1s. 3½d.?—You at once knock down the price of the rupee.

5331. You are aware that you differ from him in that respect?—Yes.

5332. Will you tell me why you prefer to put the limit of 1s. 3½d.?—Because the essence of the scheme is to fix the price of the rupee at about 1s. 4d. If the Secretary of State sells rupees below that, down goes the price of the rupee.

5333. Under your proposal the Secretary of State should refuse to sell below that rate?—He would practically have to borrow.

5334. He would be compelled then to borrow?—Yes.

5335. And if that went on for any time the gold reserve would be depleted?—No doubt.

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5336. But when the gold reserve was depleted then what would he do?—Borrow further until the thing righted itself.

5337. And if it did not right itself?—Well, you are in an artificial situation; but your alternative is to go back to a silver standard.

5338. If it comes to that extremity, but if those conditions occur under any system shall we be better off?—Not that I can see. You are supposing that India is going to become bankrupt.

5339. If we establish a gold currency should we be better off under that than we are at present?—Scarcely.

5340. The gold would all disappear, just as the gold reserve would disappear?—Certainly.

5341. About the hoards in case any importance may be attached to that point, I suppose a man is more likely to hoard a thing that will not deteriorate in value, than a thing that will deteriorate in value, is it not?—Naturally.

5342. Therefore if there is any tendency to hoard gold instead of rupees, I should think that tendency would be stronger when the rupee was deteriorated, than when the rupee was at a fixed value?—I should think so, certainly.

5343. Therefore under this scheme which fixes the value of the rupee in gold, there can be hardly any more inducement to hoard gold, than there is now?—No, I should say not.

5344. A man knows that the rupees that he hoards, are worth 1s. 4d. each and will always be worth 1s. 4d. each, so far as he has confidence in the scheme?—That is the point,—confidence.

5345. (Sir D. Barbour.) You spoke about telegraphic transfers. Is it your intention that telegraphic transfers should be issued under your scheme?—No, I merely mentioned that by the way.

5346. Because that would introduce another element of difficulty, having to meet the demand so much more quickly?—I only mentioned that, to show that they are so much closer than they were.

5347. You made a calculation as to the cost of your scheme under the most unfavourable circumstances, in comparison with the cost of opening the mints to silver?—Yes.

5348. That is the direct cost to Government?—The direct cost to Government.

5349. Do you think that that absolutely concludes the question?—Oh no, far from it.

5350. You admit that there are other considerations?—Oh yes.

5351. You have referred to the danger of speculators drawing rupees out of hoards and offering them for conversion into sovereigns, at 1s. 3½d., with the object of breaking down the gold reserve, and ultimately causing a great fall in the value of the rupee. Do you think, from your own knowledge, that that is likely to occur?—I should think it is not at all likely to occur. I am merely quoting what Mr. Atkinson says.

5352. Have you any other authority?—I have read various criticisms. My own impression is, but that is worth very little, that it is more or less of a bogey.

5353. You know that people in India do hoard?—Yes.

5354. And the man who hoards withdraws his money from all profitable employment; he puts it into a box or into the ground?—Yes.

5355. The rate of interest amongst the natives is rather high, 6, 7, 8, 10, and 12 per cent.?—Yes.

5356. So that the man who hoards, we will say for 10 years, has probably lost the chance of doubling his capital?—Yes.

5357. He is a man who is not very much influenced by considerations of profit, because he gives up all chance of making profit?—Yes.

5358. Now, to induce that man to take money out of hoard, and risk it in speculation, the speculation must promise to be a very profitable one?—Yes.

5359. Assuming that all these men combined, and that they exhausted the gold reserve, what profit would they make?—I should say they would make very little profit indeed.

5360. What is said is that they would then buy rupees very cheap with gold?—You mean the gold dealers; I thought you meant the hoarders.

5361. There might be speculators, but the idea was that the rupees would come ultimately out of the hoards?—The way they put the idea is that if they break the gold reserve the Government would return to a silver standard and down would go the rupee to 1s.

5362. Do you think that speculators, who are men of business, would speculate on a remote chance of that sort?—I say they will not, if you give them the guarantee of the British Government.

5363. Assuming that they are willing to speculate in that way, why can they not do it to-day. Anybody in India could go now and get a draft on London at 1s. 3½d. and on that draft could get the gold?—That is quite true.

5364. That is to say to-day there is no reserve to-day, and any man could exchange his rupees for 1s. 3½d. if he liked?—Yes.

5365. Does not that rather confirm your opinion that this combination to break down the gold reserve with a view to making rupees cheap is an imaginary danger?—It does seem so to me.

5366. (Sir J. Muir.) I suppose you hold by the old doctrine that those interested in the prosperity of a country should seek to make the exports exceed the imports?—Yes, I think so.

5367. In Natal do your exports exceed imports?—I am afraid not, very much the other way.

5368. There are some of us here who are very much interested in India, and our idea is that we ought to do all in our power to increase the exports and reduce the imports so as to turn the balance of trade as much as possible in favour of India. All those who are interested in the soil—the growers of wheat, seeds, cotton, coffee, indigo, &c., are interested in a low rate of exchange?—Yes.

5369. Your reasoning has been very much on the basis of a 1s. 4d. rate?—Yes.

5370. But I suppose you are aware that there is a very wide difference of opinion in India on that subject?—Oh, yes; but I have not entered into that. My efforts were directed to securing a 1s. 4d. rate, assuming that that is wanted.

5371. You would go on the basis of 1s. 4d., or any other rate that might be fixed?—Yes.

5372. That is to say, if it is held that a 1s. 2d. rate would do, your scheme would still apply?—Equally; only your margins would be different.

5373. You are not tied to the 1s. 4d. rate?—Oh, no. It is an attempt to show that it is possible to have a gold standard without a gold currency, which is the one thing which Sir Robert Giffen said was impossible.

The witness withdrew.

Adjourned.

ELEVENTH DAY.

Monday, July 4th, 1898.

PRESENT :

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

Sir JOHN MUIR, Bart.
 Sir FRANCIS MOWATT, K.C.B.
 Sir DAVID BARBOUR, K.C.S.I.
 Sir CHARLES CROSTHWAITE, K.C.S.I.
 Sir ALFRED DENT, K.C.M.G.

Mr. ROBERT CAMPBELL.
 Mr. EVERARD HAMBRO.
 Mr. W. H. HOLLAND.
 Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary*.

Sir EDGAR VINCENT, K.C.M.G., called and examined.

Sir E. Vincent,
K.C.M.G.

4 July 1898.

5374. (*Chairman*.) What is your official position ?
 —I have no official post now at all. I was financial adviser to the Egyptian Government from 1882 to 1889 and Governor of the Ottoman Bank from 1889 to 1897.

5375. We may assume that you are perfectly familiar with the currency systems both of Egypt and Turkey ?—Perfectly.

5376. We will begin, if you please, with Egypt. What is the currency system in Egypt ?—The currency in Egypt consists of a silver token currency, with a gold currency for all large transactions.

5377. Can you give us the figures ?—The standard is the Egyptian pound, which is worth 1*l.* 0*s.* 6*d.*, but this coin exists only in small quantities.

5378. That is a gold coin ?—Yes.

5379. Coined in Egypt ?—It was coined in Egypt.

5380. Are they in circulation ?—I should say that the coins in practical circulation are the sovereign and the French 20-franc piece.

5381. That is the English sovereign ?—The English sovereign and the French 20-franc piece.

5382. In fact, you have three gold coins, the English sovereign, the French napoleon, and the Egyptian pound ?—Yes, and the amount in circulation is in the order in which you have named the coins, that is to say, the principal portion of the circulation is the English sovereign and the French 20-franc piece. These two coins are legal tender at a fixed unvarying rate of so many piastres to the sovereign—97½ piastres to the English sovereign and 77½ piastres to the napoleon.

5383. What is the value of the piastre in English currency ?—The piastre would be the hundredth part of 1*l.* 0*s.* 6*d.* It is worth about 2½*d.*

5384. It is like a quarter franc ?—Yes.

5385. What is the silver currency in Egypt ?—The silver currency is a token currency coined by the Egyptian Government.

5386. In what coins ?—The principal coin is a dollar of 20 piastres, or ¼th of an Egyptian pound.

5387. Practically like our five-shilling piece ?—Yes, rather smaller.

5388. Can you tell us what the intrinsic value of that is ?—The intrinsic value of the Egyptian silver coin is practically on the same basis as the English silver currency; that is to say, it is very much overvalued.

5389. (*Sir J. Muir*.) Can you give us the exact amount of the dollar ?—I am afraid I have not got that in my memory. I can only say that it is practically on the same basis as the shilling in England. I should imagine that the intrinsic value would be about 50 per cent. of the circulating value. I should

say that the Egyptian Government does not coin Egyptian pounds at all. They consider that it is an unnecessary expense to have a gold coinage, and they prefer that the gold which they require for the purposes of circulation should be brought in from abroad. They rely practically on France and England.

5390. (*Chairman*.) But you said that there was a gold coinage ?—There was a gold coinage, but that has ceased for the last 50 years. The amount of that coinage in circulation and in hoarding is about 2,000,000*l.* sterling, the amount of sovereigns and napoleons being very much larger.

5391. Can you give us any idea of those ?—I do not think I can give any very accurate figure. Ottoman Haupt gives the following figures :—Egyptian gold, 2,000,000*l.*, which is the figures I have just mentioned; foreign gold, that is sovereigns and napoleons, 25,000,000*l.*; but in that 25,000,000*l.* are included a considerable amount of gold coins now hoarded. I mean the practical effective circulation is certainly smaller than that. I do not think that anybody can say what the amount in active circulation is; it is most difficult.

5392. I presume there is an ebb and flow of gold currency according to the demands of trade ?—Precisely. There is a regular seasonal ebb and flow; that is to say, every October and November a large amount of three or four millions of English sovereigns is imported; they are used during the busy season, and when the busy season is over, in April and May, about one-third or one-half of the amount imported flows out again. The remainder is absorbed in the country. That goes on regularly every season: there is that ebb and flow.

5393. (*Sir F. Mowatt*.) Each season leaves a deposit behind it ?—Yes. Then with regard to the convertibility, the Egyptian Government does practically nothing except as regards silver. As regards the gold they do nothing at all; gold flows in naturally and flows out naturally, and all they do is they take gold in payment of taxes as a legal tender. Between private persons the sovereign is recognised as worth 97½ piastres, and the 20-franc piece as worth 77½ piastres.

5394. (*Chairman*.) Then gold is practically an unlimited tender ?—Practically an unlimited tender.

5395. And also the silver token currency ?—The silver token currency is only tender up to 5*l.*; but the amount of silver token currency in circulation in Egypt is under 1½ millions.

5396. Who regulates the coinage of the token currency ?—The Egyptian Government.

5397. On any principle ?—Practically on the principle of maintenance at par. There is no legal

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obligation for them to take an unlimited quantity of silver at par, but practically, with only the small amount against them, they will always take any amount of silver; that is to say they maintain the value of silver token currency at the amount in circulation.

5398. Who is the authority who advises the Egyptian Government on that question?—Nominally the Minister of Finance, practically the financial adviser, who is the representative of the English Government in the Egyptian Ministry.

5399. Are there local banks?—There are certain local banks but no State banks. They are talking of having one, but at present there is none.

5400. Then what do you say as to the rate of interest and the rate of discount?—The rate of interest is heavier during the busy season than in the slack season. It is difficult to give an absolute figure, but I should say it fluctuated between nine and ten per cent in the busy season, and four and five per cent in the slack season.

5401. That is the rate of discount?—The rate of discount.

5402. The rate of interest on permanent mortgages is high, is it not?—The rate of interest on permanent mortgages is high. I should put it at 7 per cent. It has a tendency to decrease. It certainly has decreased during the last 15 years but not to any very considerable extent.

5403. I suppose that depends more upon credit than currency?—I think the permanent rate does.

5404. Now, will you tell the Committee what are the points of similarity between the finances of Egypt and the finances of India?—I think the principal points of similarity are first of all the heavy annual indebtedness to foreign countries which exists both in Egypt and in India. I shall be able to give you the figures about the indebtedness of Egypt if they are of interest to the Committee. The second point is the fluctuating requirements of currency between one season and another; and, thirdly, the annual inflow and outflow of gold, which is similar to the condition which it is proposed to establish in India. Those are the three points.

5405. Now will you just explain to the Committee in detail those points of similarity?—The indebtedness of Egypt amounts annually to about $4\frac{1}{2}$ millions sterling.

5406. You mean the interest which Egypt has to pay upon her loan, which is held outside Egypt?—Precisely.

5407. She has no other charges, has she?—That includes also the tribute which practically goes in the same way, because the tribute has been hypothecated for loans made to Turkey, so that it all amounts to the same thing. The figure of $4\frac{1}{2}$ million pounds sterling is well under the mark.

5408. What percentage is that of the revenue of Egypt?—That amounts to about 45 per cent. of the total revenue.

5409. In connection with that, can you tell us how the balance of trade runs as regards exports and imports?—As regards the exports and imports you may say that the exports exceed the imports by about those four millions. The balance does not come quite square every year, but if you take the average of years it comes to about that.

5410. Practically Egypt pays her foreign indebtedness by the balance of her exports over her imports?—Precisely.

5411. Which India has to do too?—Yes.

5412. Now, will you go on and explain anything else you have to say upon this point?—I think there is really nothing else to say regarding the annual indebtedness, except that this proportion, so far as I know, is the heaviest in the world.

5413. Heavier than India?—I think so, certainly.

5414. And it has to be paid in gold?—It has to be paid in gold.

5415. The proportion of debt-charge to revenue is $4\frac{1}{2}$ out of 10?—Yes. Then, regarding the fluctuations

of requirements, I take it that the circulation requirement of Egypt during the busy season is about 3 millions more of gold than during the slack season. There is that amount coming in every year. Some years it is four millions, some years two millions, on the average three millions. That inflow and outflow is conducted without any interference on the part of the Government. It is purely commercial. There is one point of dissimilarity between Egypt and India which I think has importance, which is that the total silver circulation in Egypt is very much smaller than the total silver circulation in India. In that point Turkey appears to me to be more closely analogous to India.

5416. Is there any paper currency in Egypt?—No, no paper circulates at all.

5417. Now, will you tell us what you consider are the points of dissimilarity between Egypt and India?—The main, and I think the only important, point of dissimilarity between Egypt and India is, as I have told you, the smallness of the silver circulation. I should explain that previous to the currency reform in 1885 there was a large silver circulation in Egypt, consisting of Spanish dollars and of Austrian trade dollars.

5418. Is there any copper coin in Egypt?—It is quite insignificant in amount.

5419. Will you give us particulars of the piastre coinage?—There is a one piastre coin. The smallest coinage is nickel. There are nickel coins representing the thousandth part of a *l.* The coinage is on the decimal system. The smallest coin in practical circulation is the thousandth part of a *l.*, practically a farthing.

5420. That is what we may call the equivalent to our farthing, and that is in nickel?—Yes. Then there is the two-millième piece, also nickel, equal to our half-penny, and then there is the five-millième piece, also nickel, equivalent to five farthings. Then you get to the silver coinage, of which the smallest is two piastres, or *5d.* The next is five piastres, or rather larger than one shilling, and then you get to the 20-piastres. As to the gold, there are no Egyptian half-sovereigns. They are only used for the purpose of presents. If the Khedive desires to distribute gratuities to the troops, or gratuities on the occasion of a public funeral, or anything of that kind, a few half-sovereigns may be struck.

5421. Does the currency system of Egypt give satisfaction to the commercial community in Egypt?—Yes, I think entire satisfaction. It is perhaps not ideally perfect, but it has worked well both in prosperous financial times and in difficult financial times.

5422. I see in 1896, so far as Great Britain is concerned, the imports from Egypt were 9,659,376 *l.* sterling, and the exports were 3,874,674 *l.*?—Those are imports and exports of what?

5423. Of merchandise into and from the United Kingdom?—Yes.

5424. Now, is there any other large amount of trade with any other country besides Great Britain?—Yes, there is a large amount of cotton exported to Russia, and there is a large amount of cotton exported also to the Continent, to Switzerland, and Alsace, and so on.

5425. The chief export from Egypt is cotton?—Yes, that is really the big crop; 75 per cent. of the total exports of Egypt are cotton.

5426. Can you give us in rough figures the total imports and exports?—I should estimate the average exports at $13\frac{1}{2}$ millions, and the average imports at four millions less,— $9\frac{1}{2}$ millions.

5427. Those figures would justify you in what you said just now, that the proportion of the amount owing in gold which has to be paid is much larger in proportion in Egypt than it is in India?—I think so. Perhaps not much larger, but certainly larger.

5428. Now, have you any recurring panics or stringencies of the money market in Egypt?—No; there has been nothing in the sense of a panic in

Egypt, so far as I can remember. There is dear money during the busy season, but not real stringency, I think.

5429. There is not what you would ordinarily call stringency?—No, I do not think there is.

5430. Now, do you consider that there is any redundancy of currency?—No; I think that both the stringency and the redundancy are corrected by the inflow and the outflow.

5431. You have already told us, I think, that the Government do not interfere at all?—The Government do not interfere.

5432. And that, in your judgment, Egypt is a richer and less indebted country than India?—I should not like to give an opinion regarding the relative wealth or poverty. I think Egypt is certainly more indebted. As regards the question of poverty, that is an extremely complicated question.

5433. (*Mr. Hambro.*) You put it that the exports and imports were enough to pay the foreign debt; but are not the exports of Egypt so big that they can also import every year a large amount of bullion?—Yes, it certainly admits of that.

5434. The exports are so much in excess of the imports that they not only pay the four millions interest on debt, but also import about two millions?—I should think about one million remaining.

5435. (*Mr. Campbell.*) Do the figures you have given include treasure?—They do not include treasure.

5436. (*Chairman.*) Now, what is the currency system in Turkey?—The essential features of the Turkish monetary system are a circulation of between eight and nine million pounds of silver medjids or Turkish dollars.

5437. What would they be worth in our currency?—They are practically similar to a double rupee.

5438. Four shillings?—Yes. The intrinsic value is about 50 per cent. of the circulating value. The gold circulation is of about similar amount, 3 or 9 millions, the coins being Turkish pounds, which are worth about 18s.

5439. Nearer to a napoleon than a sovereign?—Yes.

5440. What is the Turkish name for it?—The Turkish lira is a gold coin worth about 18s.

5441. The trade of the interior is carried on almost entirely through the silver medjids?—Yes. The trade in Constantinople, and the large seaport towns is carried on mainly through gold.

5442. There must be smaller coins than the medjids?—Yes, there are quarter medjids, and a one piastre coin, or the hundredth part of a Turkish pound, but the amount of those is small. The Turkish Government does not undertake any conversion of gold into silver, or of silver into gold.

5443. That is entirely left to the operations of trade?—Yes.

5444. Are the taxes paid in silver?—The system of taxation in Turkey is rather complicated. Most of the taxes are payable in silver medjids, but the Customs duties are payable only in gold. Legal tender varies according to the practice of different parts of Turkey. In some parts, if no special coin is specified, the contract has to be fulfilled in silver, in other parts it has to be fulfilled in gold.

5445. Is the bulk of trade of Turkey with silver-using countries or with gold-using countries?—The bulk is with gold-using countries. The largest portion of the exports come to England, about 50 per cent.

5446. Can you point out any points of similarity in your judgment between Turkey and India?—I think a very strong point of similarity between the two countries is the large silver currency of over-valued silver through which the bulk of the transactions of the greater portion of the country is conducted. The heavy foreign indebtedness of Turkey is also a point of similarity, although the indebtedness of Turkey is not so large as that of India; it is somewhat less.

5447. You mean not so large in proportion?—In proportion.

5448. What is the annual indebtedness?—The annual indebtedness of Turkey is about 3½ millions.

5449. I mean the indebtedness which is paid?—Yes, I am speaking of the figures after the reduction of the debt.

5450. Is there any other point of similarity that strikes you?—I think the poverty of the population is, perhaps, a point of similarity. Another point is the gold currency of the capital and the seaport towns, which has existed for a great many years without penetrating to the interior or displacing the silver currency. The silver currency has been in force in the interior and the gold currency has existed in the ports of export.

5451. Is the coinage entirely in the hands of the Government?—The coinage is entirely in the hands of the Government. The Government does not really manage it much; all they have to do is to abstain from coining excessive quantities of medjids.

5452. The token currency?—The token currency. Up to 1884 they used to make very large issues of these silver dollars, and the silver dollar in consequence kept on falling. Since 1884 they have merely abstained from making further issues, and the silver currency has kept stable—extremely stable.

5453. Then, up to 1884, were the mints open for the coinage of silver?—No, it was then done by the Government, but in order to make the profit between the intrinsic value of the dollar and the circulating value of the dollar the Government issued excessive quantities.

5454. It was still a limited currency which the Government expanded at their own option?—That is it.

5455. And the mints were always open to gold coinage by the Government?—Yes, the mints were always open to the banks or traders, they could bring in gold either in bars or sovereigns, which could be turned into Turkish sovereigns at a varying charge, a quarter or a half per cent., or something like that.

5456. Is there anything that strikes you with reference to the points of dissimilarity between Turkey and India?—I do not see any considerable point of dissimilarity except this, that the silver medjids in Turkey are not accepted by the Government in payment of all taxes, that is to say their customs have to be paid in gold. I take it that in India under any system the rupee would be accepted in payment of all taxes.

5457. In what currency does the Turkish Government make its own payments?—Its payments abroad are made in gold.

5458. I mean its internal payments?—Principally in silver. All its troops are paid in silver; all its employees, when they are paid, are paid in silver.

5459. Now, will you first deal with the external, and then with the internal, trade, and tell us how does this currency system work in Turkey?—I think it gives general satisfaction. The fluctuations in the price of the dollar, as measured in gold, are very slight—only one, or at the most one and a half per cent. The fluctuations of exchange in Turkey with foreign countries, England or France, are also well within gold points; the gold points are about 108·50 for bringing in gold and 112 for exporting gold, but as a matter of practice those extreme points are hardly ever touched.

5460. Then, practically, you have in Turkey a stable exchange?—Quite.

5461. You have a token currency restricted by the Government?—Yes.

5462. And you have, since 1884, prevented the fall in the value of your silver currency by limiting the coinage of the dollar?—Precisely.

5463. Is import and export of gold carried on entirely by private enterprise, or is it at all controlled by the Government?—The Government practically do not interfere with it at all. The amounts of gold imported into Turkey are very much smaller than in the case of Egypt. I have not the exact figures, but

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they are not more than 300,000*l.* or 400,000*l.* in any one year. The export of gold from Turkey is almost unknown; whatever gold passes into the country is absorbed.

5464. Hoarded?—Hoarded.

5465. Do you think the amount of gold in Turkey is very great?—No, the amounts are inconsiderable when compared with those in Egypt.

5466. Do you know the aggregate Turkish imports and exports?—The figures that are published are unreliable. I do not think it is worth while giving the figures that are published.

5467. Do you think there is a large balance?—I think so, undoubtedly, but it is extremely difficult to give accurate figures. The figures that are given might be made to support any account you like; I do not think they are worth serious consideration.

5468. What are the points of analogy between Egypt and India? And do the points of analogy between Turkey and Egypt and those between Egypt and India appear to you to contradict each other?—No; the main point of difference in Egypt, as compared with India, is the point I mentioned about the silver currency.

5469. Is there any point of contact with reference to the crops?—There is rather an interesting point, I think, with reference to the crops. In Turkey the crops are much more varied, and they are spread out over eight or nine months of the year. In Egypt, the main crop being the cotton crop, the demand for currency comes to a sharp point in two or three months of the year, January, February, and March.

5470. Now we will come to the Indian question. Are you familiar with the proposals that the Government of India have made, which are now before this Committee?—Yes, perfectly.

5471. Do you believe in the possibility of a gold standard for India?—Judging by my Turkish and Egyptian experience, certainly.

5472. With or without a gold currency?—I think either with or without. Personally I am in favour of a gold currency.

5473. Will you explain what your views are, generally upon the proposals of the Government of India, and your own modifications of them?—It appears to me that a gold standard without a gold currency, although theoretically possible and exceptionally worked in other countries with success, is something abnormal and removed from the general conditions of the best currency systems in actual working. I will not detain the Committee with any theoretical discussion, but it will be clear that a gold standard based upon free import and export of gold with the free use of gold coins for the purposes of trade and for the payment of debt is a more usual and more healthy system than that under which the sole medium of exchange is an overvalued token coin. It may also be asserted that the intervention of Government in a system of gold standard without gold currency will probably be larger than in a system with gold currency; and this intervention is clearly an undesirable feature. I should lay it down as an axiom that the system to be established should be as automatic as possible; and that the intervention of Government should only occur in absolutely fixed eventualities, and to a fixed and limited extent. I view with great suspicion any scheme under which the Government of India can make a profit out of a further issue of currency. History shows that the temptation which is thus offered to Governments to create overissues is considerable, and although I believe that the Indian Government would be proof against any such temptation, I do not desire to place them in a position of being suspected.

5474. (Sir D. Barbour.) I think you said that in the case of the Turkish Government you had succeeded in inducing them not to give way to that temptation?—Yes. Then, as to the point regarding the hoarding of gold if a gold currency is established. This is undoubtedly a subject for serious consideration. I believe, however, that those

authorities who think that gold will be hoarded to a far larger extent than at present considerably exaggerate the probable penetration of gold into the interior under a gold marginal system. If the Turkish precedent is followed, gold would remain almost entirely in the Presidency and the seaport towns, and will not penetrate to the interior, where the greater part of the hoarding takes place. My experience in eastern countries does not allow me to anticipate any sudden change in the habits of hoarders from the measures now under consideration.

5475. (Chairman.) Have you any opinion as to why the closing of the mints in 1893 failed to bring gold into India?—The fact that gold has not hitherto been sent to India under the 1893 measure does not cause me any surprise. I should rather have anticipated it. The first and main reason appears to me to be that the absorption of the rupee currency has not yet gone sufficiently far. The currency is still during the greater part of the year more than sufficient for the 1*s.* 4*d.* level. During the busy spring season I think that gold might have been sent to India in certain quantities this year, if sovereigns had been legal tender and if the force which is called "the evasion of the maximum" had not operated.

5476. Do you attach much importance as affecting the import of gold to gold not being a legal tender?—I think so. It seems to me that if it is not legal tender it makes it much more difficult for banks and others to keep reserves in gold.

5477. (Sir D. Barbour.) Does that difficulty arise when the Government offers to give rupees for sovereigns?—That, I think, brings in another question altogether. It seems to me that the fact that the Government are prepared to set free more rupees against the gold imported renders certain, or at any rate makes much more probable, a subsequent fall in exchange, because by the fact that they set them free they increase the supposed redundancy.

5478. (Chairman.) Have you considered at all the effect upon the monetary system of India of the Government keeping large balances at certain periods of the year in the treasuries?—I have. It appears to me that the practice of recent years of the Government of India of keeping larger balances in the spring, which is the busy season, and the time when the demand for currency by the country is the greatest, than they do in the monsoon, or the dull season, has been a potent cause of instability and of stringency during the spring. I submit that the Government, if they had the means and if they acted wisely, would do precisely the opposite to that which they now do. Instead of withholding from circulation six crores more during the busy season (or it may be rather less than six crores), they would restrict the amount set free during the dull season and enlarge the amount of rupees set free during the busy season or the period of demand. They would proportion their supplies to the demands of the country.

5479. That I assume would be purely a banking arrangement between themselves and the banks?—Yes, or even between themselves and their reserve. This may or may not require an increase of working capital. I am not in a position to say whether the Government of India can do that without a larger working capital, but if it was done I believe that the total correction to the present fluctuations, which will amount to 12 crores, six crores each way, would go far to remove both stringency and instability. I think that is an important point.

5480. Would it be affected if the relations between the Government of India and the Presidency banks were the same as our relations between our Government and the Bank of England?—I am not prepared to answer. I do not know exactly the relations between our Government and the Bank of England.

5481. At certain times the Government have large balances and at certain other times it is the other way?—It does not appear to me at all difficult to arrange the relations between the Presidency banks

and the Government of India in such a way that the currency supplies should be fairly proportionate to the currency demands. A measure of that kind appears to me to be not an undue intervention of Government. I mean it is not fingering the exchange too much, because I do not propose that they should intervene more than they do now. I only propose that they should intervene at the right time and not at the wrong time, and that their action should moderate the oscillations of exchange instead of intensifying them as I believe their present action does.

5482. Their present action you regard as abnormal?—Yes.

5483. Therefore what you propose is that what is abnormal should become normal?—Yes. That is a point to which I attach very great importance.

5484. Have you considered at all the detail of a gold currency in India. How would you propose that it should be carried on?—I think I can give evidence on that point. My opinion is, that in the earlier stages—I am presuming that gold is made legal tender in India—sovereigns would not penetrate beyond the seaport towns. The amount of sovereigns at first imported would not be considerable. They would merely come in to supplement the deficiency in the currency caused by the absorption of rupees which is undoubtedly going on. During the first years after the import of sovereigns in the way I indicate, I believe that nearly the whole of the sovereigns imported to supplement the circulation during the busy season, would be exported during the ensuing dull season. That would give the elasticity required. It has been estimated that the annual addition to the currency required by India may be set down at 3½ crores per annum. I do not vouch for the figure, but assuming that to be true, I should estimate that, beginning from 1900, an annual amount of about 2½ millions of gold would be added to the Indian currency. If this took place in five years there would be a gold marginal currency of 11 millions. I see no special reason for hastening or stimulating the import of gold to India, provided that the Government take measures to correct the redundancy during the dull season by withdrawing rupees, but only at a low exchange figure. The effect of the measures to correct redundancy which I propose, if undertaken to the extent of say 15 crores, would be virtually to endow 15 crores of rupees with the exportable qualities of gold; it would afford a market for the surplus rupee currency during the dull season; in other words, until the gold marginal circulation had become sufficient to supply the necessary elasticity, the Government would intervene and supply to a circulation redundant during the dull season a market for excess quantities up to 15 crores, or the figure up to which they choose to go.

5485. Then do you propose that the Government should import gold themselves?—No, I think that ought to be left entirely to the operations of trade.

5486. To exchange operations?—To exchange operations—to private enterprise. I should merely propose that to the extent of 15 to 20 crores or whatever the amount might be, they should provide an overflow reservoir so as to prevent the fluctuations of exchange in the downward sense and below a fixed level of (say) 1s. 3½d.

5487. Have you considered the question of making Bank of England notes legal tender in India?—I think the idea of making Bank of England notes legal tender in India would be an interesting development of the scheme. It appears to me a proposal against which no very strong arguments have been brought and in favour of which a great deal may be heard. So far as I am acquainted with the question, the principal argument brought against a gold currency in India is the danger of increased hoarding of gold. I do not give an opinion as to whether that is a correct objection or not, but the argument has been urged that there would be a danger of increased hoarding of gold, or to speak more accurately the

replacement of existing rupee hoards by gold. If the gold circulation of India were in 5l. notes instead of in sovereigns, the danger of hoarding clearly diminishes or entirely disappears. I do not think there is danger of the hoarding of Bank of England notes. It is also clear that the Bank of England notes cost much less to remit both ways than gold costs. So that when the final stage is reached the gold point or the Bank of England note point would be a mere fraction on either side of 1s. 4d. The fluctuations in exchange would be reduced to an absolute minimum which would certainly have the tendency to keep discount rates in India at a fixed level and prevent stringency. I should think also from the point of view of the London money market the use of bank notes in India, would be preferred to gold—I mean it would be a more popular method than gold.

5488. It would reduce the drain of gold from this country?—Yes.

5489. Have you any more to say with reference to the proposals of the Government of India?—To finish the bank-note discussion, it would be a question whether you would make both gold and bank notes legal tender, or whether you would replace sovereigns by the bank notes. My view on that is that you can safely make both legal tender; that the bank notes will compete favourably with the gold, that is to say, they will go in at a lower level than gold, because they are cheaper to convey. If bank notes are accepted by the usages of the country and pass into current use they will flow in before gold, because they are cheaper to convey. You may get in a certain amount of gold from Australia and Egypt at given seasons of the year, but that is a mere detail of exchange. So that I should let both gold and bank notes be legal tender.

5490. What is your opinion of Mr. Lindsay's scheme?—There are two or three points on which I differ with Mr. Lindsay. One of the principal points is that Mr. Lindsay proposes to give gold drafts on London against rupees at 1s. 3¾d., and to receive at this rate an unlimited quantity of rupees. I should propose to issue gold drafts on London only at a lower level, that is to say at 1s. 3½d. I want to increase the margin. That would leave a larger margin between the par of exchange, 1s. 4d., and the point of Government intervention. I bring the Government in less soon. I propose also to limit the amount of gold drafts issued by the Government to a certain fixed sum.

5491. You mean the Government of India?—Yes, I am alarmed by the unlimited convertibility or unlimited liability which would be undertaken by the Government under Mr. Lindsay's scheme. I am anxious to have the sum fixed large, but I think it would be very unwise to undertake an unlimited liability, because you cannot say what will happen.

5492. Is there any other criticism you have to make upon Mr. Lindsay's scheme?—The other point where I am in disagreement with Mr. Lindsay's scheme is the point regarding the gold currency. Mr. Lindsay, I think, does not introduce gold or the representative of gold in the sense of bank notes. I am very much opposed indeed to a system under which there could be no gold or no representative of gold, and I think it is illogical to propose, as Mr. Lindsay does, to increase the rupee currency (the present system does also) when it is generally assumed that the present amount of rupees in circulation is redundant and when you will theoretically have to absorb every dull season a considerable portion of the new rupees which you have let loose or created in the preceding spring. You are constantly adding to the burden which you will have to bear in the autumn, and that seems unwise and illogical. I should propose to supplement the currency in the spring, if an addition is required, by some coin which can find its own level.

5493. And that must be a gold coin?—That must be a gold coin. Gold is the only substance which has that unlimited market without variation of price.

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5494. Mr. Lindsay's scheme has been described, I think, by Sir John Lubbock as a gold exchange standard. Do you think that is an accurate expression?—I think that is a correct description of it. Outside the points which I have mentioned I think Mr. Lindsay's scheme brings in the intervention of Government more than is necessary, and more than is desirable.

5495. And increases its liability?—And increases its liability. In reality my points of criticism of Mr. Lindsay's scheme are points more of detail than anything else. My ideas are generally similar to his, subject to these rectifications. There is the point of principle of course where we differ, which is the gold currency. The others are really corrections more than differences of principle.

5496. Now taking your figure of 1s. 3½d. Will you explain why you think that commerce will assist Government better at 1s. 3½d. than at 1s. 3¾d.?—The explanation is, I think, easy. If in July at the beginning of the monsoon, a trader in India has a thousand rupees which he will require for purposes of commerce in December, and if he anticipates, as he will be justified in anticipating, that the then rate of exchange will be 1s. 4d. or above, it is clear that by keeping rupees at 1s. 3½d., or a fraction above until December, when he can use them at 1s. 4d., he is using his money at nearly 9 per cent. per annum, whereas by tendering his rupees to Government in July and getting sterling drafts he can only employ his money in London at a considerably lower rate, a rate less than 9 per cent. The question is simply a rule of three. If the Government intervene and buy these rupees at 1s. 3¾d. it suits the trader better to put his rupees on the Government—to employ his money until December in London and then undo the operation in December. Assuming that he can make 5 per cent. in London with his money, he will make a better operation of it than by keeping the rupees in his coffers until the busy season. I think if you make the margin sufficient (the margin I propose being ½d. below the par of exchange), there will be the evasion of the minimum at the low rate, just as there is now an evasion of the maximum at a high rate. Both those evasions assist you in steadying exchange; they are both of them factors which assist your policy. Of course directly you diminish the margin this goes away; people come on the Government every season and that is what I want to avoid; I want Government intervention to be quite exceptional.

5497. In other words, you believe that the danger of the public having recourse to the Government diminishes with the margin between the exchange and the point of intervention?—Absolutely.

5498. Now, if the Government withdraw rupees under your scheme, how will they pay for them?—There are two methods. The first and the most simple would be to borrow in London the requisite amount, taking a given sum to start with and borrowing subsequently as might be required. There is a second plan which appears to me to be preferable if it is possible (upon which I speak with reserve), namely to take into the currency reserve in India the first 10 crores of rupees tendered—that is to take the first 10 crores of rupees tendered into the reserve kept against the paper currency. These would set free 10 crores of other securities now held in the currency reserve. These 10 crores might either be realised or temporarily borrowed against in London where the money is required. The money would be required in London where, I submit, you could borrow it against these other securities. The metallic basis of the present note issue would by this means be strengthened; practically the whole of the reserve against notes would be on a metallic basis. Another advantage would be that the necessity to obtain new borrowing powers would be deferred until 10 crores of rupees had been absorbed. Under favourable circumstances I believe that these 10 crores might be found sufficient.

and that the amount of Government intervention required to keep exchange above 1s. 3½d. would not exceed this amount, in which case no further legislation would be necessary. You would not have to go to Parliament for it. The Government of India could work the whole thing on their present resources.

5499. Then are you in favour or not of melting down the rupees that are withdrawn?—I am against melting down rupees. I should propose that the rupees be kept until they can be issued in exchange for drafts on London at a minimum of 1s. 4d. I should take them in at 1s. 3½d. and sell them at 1s. 4d.

5500. Do you think the melting down of rupees would have an injurious effect on the silver market?—I think so, certainly; and I think it is very much the interest of India and the interest of the Government of India to treat the silver market with great delicacy.

5501. In fact you think the Government of India, whatever it does, should not interfere to depress the silver market?—Most certainly; I have that opinion very strongly. I should say that the rupees put upon the Government at this 1s. 3½d. level should be kept until the Government acquired the absolute conviction that they will not be wanted again in circulation, and I do not think they will ever get that conviction.

5502. (Sir D. Barbour.) Do you contemplate their coming back in the busy season?—Yes, if it was ultimately thought expedient to melt them down I should recommend very gradual action. I should not melt more than one crore a year. I should treat the silver market delicately.

5503. (Chairman.) Then you do not object to the Government being always ready to take 15 crores of rupees from the market at whatever moment they may be asked to do so?—No; I think it is essential that they should take them without the smallest hesitation. The public must know that the Government are absolutely bound to take the rupees at that figure without any administrative decision whatever. You must have that as a positive certainty.

5504. That you regard as essential to maintaining stability of exchange?—Quite. There must be no telegraphing to Simla or anything else.

5505. That you regard as totally apart and distinct from any question of convertibility?—Yes, quite separate from any question of convertibility. I call that merely steadying.

5506. Now, have you any opinion as to whether there would be a great consumption of gold by India by the adoption of this plan, and if so, how it would affect the gold market?—I think it is difficult to speak positively on the question of the absorption of gold in India. I do not think you can give a decided opinion. The substitution or the addition of bank notes to gold would certainly diminish the amount of possible absorption. I also think that the world's production of gold is now increasing at such an astounding rate that the danger is not considerable.

5507. Can you tell us the increase in gold production during the last 10 years?—In 1888 the amount of the world production of gold was 22,000,000L., or 23,000,000L. sterling. I think that in the present year it will amount to 46,000,000L., possibly more; and I think that the view of the best authorities on the point is that before the year 1903 you will certainly have a world production of gold considerably over 60,000,000L., that is to say very nearly three times as much as it was 10 years ago.

5508. Then, so far as the gold market is concerned it would be an advantage to have a large consumption of gold in India?—That is quite possible. At any rate I should not be at all alarmed if India absorbed say 2,000,000L., or 3,000,000L. of gold more.

5509. Now we have so far in the course of your examination been proceeding on the assumption of the 1s. 4d. rate for the rupee. Have you any opinion with reference to that figure—have you any special reasons in favour of a 1s. 4d. rate?—That is a point on which

I have no special experience, nor any special argument to bring forward. Whether 1s. 4d. is as good a rate as 1s. 3d. or 1s. 5d. is a matter for consideration of people with local knowledge and local experience. I regard the 1s. 4d. rate as being longer to establish than the 1s. 3d. rate, and as being shorter to establish than the 1s. 5d. rate; but I have no special view in favour of either one or the other, except that I am much against change, and as 1s. 4d. has more or less been adopted as a par of exchange, I should only change that if I saw very strong reasons for doing so.

5510. You are, of course, aware that since the operation of the closing of the mints has fairly come into effective force, practically the exchange has varied very slightly from 1s. 4d.?—Quite so.

5511. Now, have you considered at all the present mode of drawing Council bills, and whether it should be modified at all by the suggestions you have made?—There would not be necessarily any modification of the system of drawing Council bills, I think. It appears to me that the present system, which may or may not be good—I do not at all give an opinion on that point—tends to exaggerate in the public mind very unduly the importance of the indebtedness of India.

5512. Now will you just explain that?—If you compare India with Egypt, in Egypt the Government, having to remit annually on account of foreign indebtedness an amount relatively to the trade of the country much larger than in India, buy export bills from export merchants at Alexandria, and I think I can say that nobody knows that the Government are buying. The whole thing goes on in a normal way. Nobody knows when it is done or how it is done; it is never talked about at all. The amount remitted which, as I have explained, is relatively greater than the amount remitted in the case of India, is done with a minimum of fuss and bother. The same thing applies to Turkey, where the amount, as compared with trade, is perhaps rather less than in the case of India, but not considerably less in proportion, and where these remittances are carried on through the banks; nobody hears anything about it whatever. I submit that the present system of Council drafts very much complicates the question and altogether exaggerates the difficulty of the problem. For instance, if the Indian Government bought their bills from exports merchants in India we should hear much less about Indian indebtedness and a great many false remedies and false theories which are now put forward. All I say is that the present system is unusual, and that it rather tends to exaggerate certain features of the question unduly.

5513. Just take this concrete case. I suppose I am within the mark when I say that one half or more than one half of the remittances from India in the shape of Council drafts are for the purpose of paying railway obligations?—Quite so.

5514. Now, suppose those obligations of the great Indian railway companies were discharged by the companies themselves through their own agents in London it would not produce that impression of this enormous indebtedness and create what you call the maximum of fuss created under the present system?—That is exactly my point.

5515. Under the present system the Government of India appears to be responsible for everything that India has to export from India to this country?—Yes, and if the companies did it directly I believe it would be done just as well, and not so much bother would be made about it.

5516. (*Mr. Campbell.*) I think you said that in your opinion one of the reasons why gold did not go to India was because it was not legal tender?—Yes.

5517. But you are aware, are you not, that the Government offer to accept sovereigns, and that they will give rupees at the rate of 15 rupees to the sovereign?—Yes.

5518. For the remitter of gold, is not that just as good to him as if they were legal tender?—No, I do not think it is, because I do not think under the present system, gold not being legal tender, banks could keep their reserves in India in gold.

5519. If they had the option of exchanging for rupees at any moment?—Quite so; but under the present system those rupees which the banks would draw from the Government of India would increase the amount of rupees in circulation, and would therefore increase the redundancy of the rupee circulation.

5520. But would the remitter look to that at all? All he wants is to get the assured convertibility of the sovereign into rupees?—That may be so; but I think the system established on such an illogical basis must certainly retard the moment when gold is sent. The main reason gold has not been sent is, in my opinion, that the rupee currency has not been sufficiently absorbed. That is the main reason—perhaps 80 or 90 per cent. of the whole. The other is a comparatively subsidiary matter, but has a real importance.

5521. You are aware that although no gold has gone into the Indian Treasury for currency purposes, India has taken a large amount of gold apart from that altogether?—Yes, for hoarding or for industrial purposes.

5522. And are you aware that the bazaar has given a higher price for sovereigns than the Government of India offer?—Yes.

5523. And I think you said that you did not expect that gold would go into the interior much?—I think not at first at any rate. The gold would be kept in the seaport and the presidency towns. I distinguish very clearly between the hoarding or industrial demand, and the currency demand for gold. The two are quite apart in my opinion.

5524. Are you aware that all that gold which goes out to India finds its way up country almost immediately, it does not remain in the presidency towns?—Quite so. Why should it now remain in the presidency towns? Up to the present there has only been this hoarding or industrial demand, there has been no currency demand for gold.

5525. I think you said that in all probability $3\frac{1}{2}$ millions of gold might go in during the busy season, and perhaps half of that or thereabouts would come out again during the slack season?—No, that is not what I meant. The $3\frac{1}{2}$ millions I spoke of is the figure which I am given, and for which I do not vouch, of the annual addition to currency required by India. So that the amount of gold, or of bank notes which would go into India every busy season would be larger than $3\frac{1}{2}$ millions. The $3\frac{1}{2}$ millions would be the amount which would be absorbed into the currency.

5526. And would be retained?—And would be retained.

5527. Before the mints were closed, and when silver was the currency, of course large amounts of silver went out to India for coinage purposes?—Quite so.

5528. Are you aware that practically none of that ever came back; that India never exported rupees?—Possibly. That was all absorbed, either in hoards or in industrial employment or in circulation.

5529. Would you not suppose, judging by that, that whatever gold was taken in the busy season would remain there in the same way?—No, I should think not. Gold could be exported cheaper relatively than silver could, and I should anticipate that a certain amount of gold would probably flow out during the dull season.

5530. I am speaking of the time that the mints were opened, and rupees were really at their intrinsic value, so that there would not be much loss in sending silver back any more than there would be in sending gold back?—But I imagine that the market for silver has never had the same stability that the gold market has. There is more facility for sovereigns or bank

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5531. But if there was no back flow of gold; if India kept all the gold she got?—I should not be alarmed if that was the case at all. One great difficulty in estimating the amount of the gold that will go in and come out is the fact of the present balances of the Government of India being, what I call, mismanaged. It makes it extremely difficult to say what the difference of level between the busy season requirement and the slack season requirement is.

5532. You also told us that there was a larger Government balance during the busy season than during the slack season?—Quite so.

5533. Is not that owing to the collection of revenue coming in to a larger extent at that time?—That is possible; but I think it is perfectly possible for the Government to pay out or lend out the money which they receive for taxes with a minimum of detention. Why should the Government want a larger balance in spring than in autumn?

5534. Are you aware that during the busy season the Indian Council always offer a larger amount of their bills?—Quite so.

5535. And not only offer a larger amount of bills, but they offer to sell special allotments during the week at a slightly higher rate?—Quite so.

5536. If that were taken advantage of, would not it relieve these balances to that extent?—Quite so.

5537. That is to say, the trade has the option of taking as much as it wants of these balances through the medium of Council bills?—My proposal would be to accentuate what is done now; that is to say, that the allotments should be made larger during the busy season. It is done now, but only to a too limited extent. If you take the amounts actually allotted during the spring and the amounts allotted during the autumn you will find a difference, but I submit not a sufficient difference.

5538. The market has the option of taking as much as it pleases?—At a price.

5539. On the question of the ratio, I suppose you would admit that that is a most important part of the question; I mean the ratio between gold and silver; whether it should be 1s. 2d. or 1s. 4d., or what?—Quite so. That is a question on which I have not given an opinion.

5540. Still you might express an opinion so far as to say whether you think that the ratio should be adapted to trade requirements, or whether the Government measures should be such as to compel trade to adapt itself to the ratio they fixed upon?—As regards an alteration of the rate which is now adopted of 1s. 4d., I think the *onus probandi* is on the people who want a change. I am much averse to a change in the present level.

5541. 1s. 4d. has never been established, has it?—I think 1s. 4d. was not formally, but I may say accidentally, established by the 1893 regulation. It was there fixed as the maximum.

5542. But in the two years subsequent to 1893 you know that the rate fell down to as low as 1s. 1d.?—Quite so, but the 1893 measure was not then effective.

5543. Then, with regard to Mr. Lindsay's scheme, I think you said you would prefer to limit the amount of the Government's responsibility?—Quite so.

5544. That is to say, you would fix an amount beyond which they were not to be called upon to convert rupees into sterling?—Yes.

5545. But if you fix a limit of that kind, would not that very much weaken the scheme?—I do not think it would. I think the fall in exchange, which we will assume, is due to the excess of supplies of rupees over requirements. I think if you diminish the supplies available by 15 crores, or it may be 10 or 20 crores (that is a question for the Government of India), in that case the available supplies of rupees will be so diminished that a fall below the 1s. 3½d. level will be improbable.

5546. But if the limit were fixed, say, at 10 crores, and there sprang up from any cause whatever a considerable demand for remittances home, and that demand occasioned a serious diminution in the fund in London, would not that fact tend to accentuate the drain on what Mr. Lindsay calls the Gold Standard Office, and lead to its being more rapidly absorbed?—That is bringing in rather the moral factor. The moral factor operates in a worse form under an indefinite liability than under a definite liability. The exchange fund will be much better worked, much more boldly worked, under a definite than under an indefinite liability. I believe that if you have an indefinite liability to take rupees up to any extent, the press, public opinion, Parliament, when they see 10 or 11 crores have gone, will get frightened, and say, "We are involved here in an extremely dangerous experiment, we do not know where it will end," and it is highly probable that in that case the thing will not be worked automatically; people will make difficulties, and they will retard the thing. I think all these little difficulties very much increase the chances of failure. I am convinced that, taking men as they are, a definite liability scheme is likely to be worked more boldly and automatically than an indefinite liability scheme.

5547. Suppose the fund were to get exhausted from any reason, what would happen then?—You would have a currency diminished by your 15 or 10 crores, or whatever the amount might be, and the redundancy to that extent would be diminished. The reduction of the redundancy for that 10 or 15 crores renders a further considerable fall highly improbable.

5548. Suppose the fall did occur?—Then you must wait till the next busy season. It will only be temporary.

5549. But the scheme will have so far failed for the time?—I do not think so. My object is only for the Indian Government to steady exchange as much as their resources permit, they will have brought their supplies, so far as possible, down to requirements and they can do no more.

5550. (Mr. Le Marchant.) With regard to borrowing in London on securities from the currency reserve, might not such an operation be rendered difficult by an apprehension on the part of capitalists that the scheme would break down? For instance, suppose they thought that the sterling equivalent of the 15 crores was likely to run out, lenders might think that the payment of interest or principal of their loans was not sufficiently assured?—I do not think the danger really exists. What are the other securities? They are the 3 and 3½ per cent. stock. I cannot conceive circumstances under which borrowing against them would be a matter of considerable difficulty.

5551. The first actual step of the Government would be to borrow on them, as I understand?—Quite so.

5552. And to that extent, so far as borrowing went, it would resemble other plans, either of the Government or of Mr. Lindsay, that proposed borrowing?—Quite so. It appears to me that any correction of the fluctuations of exchange in the sense of withdrawing rupees entails borrowing in some form or other, and the only question is, whether it is best to borrow on other securities which at present exist, or to borrow in the way proposed by the Government of India. Let me explain the position, as I understand it. I say that the Government have or may have to intervene in order to diminish the redundancy of rupees during the dull season. In order to do that they have to give the people who give them rupees something. People want what? Gold in London. They have to get that gold in some way, and they can either borrow by issuing a new loan, as the Government of India propose, or, as I think they might do in order to diminish the trouble, they might borrow against or sell the actual stock held by them as reserve against the present issue of notes. It is a mere improvement,

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a detailed improvement of the borrowing, to avoid the trouble of taking further powers for fresh loans.

5553. (Mr. Campbell.) It would be equivalent to borrowing?—It would be equivalent to borrowing. Instead of creating new stock you sell the old stock; you use what you have got.

5554. (Mr. Le Marchant.) It would be incidental, whether the rupees so received in India were put into the currency reserve instead of the securities, or whether in the first stage the sterling were taken as being put into the currency reserve?—Quite so.

5555. At that moment the sterling so raised would belong to the currency reserve because the securities would have been parted with. Then subsequently the sterling would be paid out in exchange for rupees handed in?—Quite so.

5556. And then those rupees would go into the currency reserve, and the sterling necessarily would be parted with against them?—Yes.

5557. With regard to the gold sent out on your plan, that would be entirely independent of the Government?—Quite so.

5558. Under Mr. Lindsay's plan, it appeared to provide the Government with a sterling fund which they could subsequently use for granting sterling drafts on London?—Yes.

5559. That would be a distinction between you?—That is a distinction between us; quite so.

5560. How far do you think fixing a rate appreciably below 1s. 4d., such as 1s. 3½d., would operate to prevent gold flowing in?—I do not think myself it would operate very severely in that direction. It appears to me that capital will go into India if it is assumed that capital might have a maximum fluctuation of one halfpenny or something above (I think, under my scheme, it would be precisely 21/32nds), if the fluctuations were within the limits of 21/32nds, so long as that took place regularly in trade seasons and not in an irregular manner. That is to say, if I, sending out money in February at 1s. 4d., can say, "Well, although in November the exchange may be 1s. 3½d., I know that next February I shall get my 1s. 4d. level again."

5561. With regard to the rate of 1s. 4d. Would fixing that rate involve a greater pressure on prices in India if convertibility is not provided to the fullest extent? With complete convertibility, it might be assumed that gold would flow in and out most freely, but without it, would not the inflow be so far retarded?—I think it would be in that direction, certainly.

5562. I was on the question of how far a fixed rate of 1s. 4d. might be a serious difficulty for the country?—I quite agree. As you increase the margin you have certain advantages and certain disadvantages. Among the advantages is the fact that the Government has to intervene less often, and to a less extent. Among the disadvantages are the facts that you will have theoretically dearer money during your busy season, and that you will have a smaller desire of capital to come in. But as a question of opinion, I do not think that the two disadvantages would act very seriously.

5563. Not like the recent "evasion," as you termed it?—No, I do not think so, but it is purely a question of opinion.

5564. When you suggest the Government accumulating a larger stock of rupees, so as to supply capital to the public during the crop season, do you think that might be done if, by a suspension of the sale of Council bills, rupee balances had increased and were not expended on public works?—Yes.

5565. Would not the Government be brought very directly into banking relations with the country?—No, I do not think so. The Government is in banking relations with the country now, only at present the banking operations are done at the wrong time; and I suggest that they should be done at the right time. We will take *x* figures. At present they keep away from the currency of the country 8 crores at one season and 14 crores at the other. I should propose just to reverse the operation; that is to say,

that they should keep 8 crores during the busy season and 14 crores during the slack season, instead of keeping, as they do now, 8 crores in the slack season and 14 crores in the busy season. These figures may not be absolutely correct; I take them as average figures.

5566. Would you propose that the Government should pay not more in the aggregate, taking the whole year through, than at present?—I think there are two ways of doing it. It is quite clear that the Government of India can replace their rupees in circulation either by granting larger drafts in the spring, during the busy season, or by re-lending to the banks, and allowing the banks to employ, in India, the money directly it comes in.

5567. Would not the latter course have an immediate effect on exchange?—I think it would have an effect on exchange. It would certainly tend to steady exchange. It would prevent the considerable rise of exchange during the busy season which leads to a corresponding fall in the slack season. It would distinctly diminish the fluctuations of exchange. I am not at all in favour of screwing your exchange up during the busy season to 1s. 4d., in order to say that you have got that level, if you have to pay for it later on by a large fall. I take it that an even rate during the year, 1s. 3¾d., is much better than 1s. 4d. in the spring, and 1s. 3½d. in the autumn.

5568. With regard to the possible circulation of Bank of England notes in India, what purpose do you think that would fulfil?—I think they would be used to a considerable extent for operations between the banks in the presidency and seaport towns, and they might also be used as a portion of the reserves of the banks.

5569. And release rupees to that extent?—Yes; instead of the word "release" I would say "supplement" the rupees.

5570. They would keep larger reserves to that extent in that case?—No, I assume that the bank notes or gold would only go in at moments when the rupee circulation was insufficient. If you want 120 crores, you would not supply that by gold or bank notes brought in from Europe.

5571. Would it not operate in this way, that a bank instead of retaining in its treasury all the rupees it does at present would pay out a part of those rupees, and release rupee currency to that extent?—Quite so.

5572. Would not, therefore, the limit be such portion of their reserves as they could conveniently replace in this way? I wish to ascertain whether the vacuum that would be filled up by bank notes would be a very large one?—I imagine that, following the Turkish precedent, gold would gradually be found, in the presidency towns and the exchanges between banks and the Government, more convenient for large transactions than silver. The amount of gold or bank notes flowing in will be proportionate to the vacuum.

5573. And bank notes would pass out of the reserve and into circulation within banking limits?—Yes.

5574. Do you think the question of possible forgery would be serious?—Not at all; I do not think so; my experience is that false coinage and forgery are much less in practice than theoretically would be imagined. In Turkey there is every conceivable reason for enormous issues of false coins, and there are none.

5575. You do not think that persons to whom bank notes might be tendered might be suspicious?—I do not think you will get natives to accept them very soon or very readily, nor is it, I think, necessary that they should go outside the superior classes.

5576. What is the parallel on that point between India and Egypt?—In Egypt there are no bank notes at all, and in Turkey only 500,000l. or 1,000,000l. worth.

5577. Are those notes on the Imperial Ottoman Bank?—Yes.

5578. How far do they circulate in the interior?—They do not circulate in the interior. They circulate in the seaport towns and Constantinople.

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5579. Do you think that a system of bank notes would be applicable to Egypt?—Yes, I think it is quite a legitimate development of the present currency system in Egypt.

5580. I think it is being started now?—I think it is.

5581. In Egypt are English sovereigns widely in circulation?—Oh yes, they go up as far as Wady Halfa.

5582. And come down in payment for imports?—Yes, and in payment of taxes.

5583. How far are they a basis of credit and bank money?—The sovereign in Egypt and the napoleon in Egypt are exactly like a sovereign in England.

5584. There is a great elastic or expansive power round it over and above the exact amount of the coin?—Quite so, the English sovereign and the French napoleon in Egypt are exactly like the sovereign here.

5585. How far in Egypt do you consider that foreign capital is either induced to come or retarded by having a stable basis of exchange. Does it induce foreign capital to come in?—I think so. I have never heard any complaint about foreign capital being kept out of Egypt by the currency system or by the fluctuations in exchange such as they are.

5586. And no suggestion that if you were on a silver basis capital would flow more freely?—I should think the reverse.

5587. But that has not been a matter that has been a subject of complaint?—The currency system in Egypt works so smoothly that no one talks about it. Egypt is not a country of currency discussion.

5588. How far in Turkey does the gold lira circulate?—Its circulation is very small in the interior. I may say that it does not practically penetrate beyond the suburbs of the seaport towns.

5589. In Turkey, apparently, it does not flow out?—No; it is wanted for the commercial operations of these trade centres—the export towns. You mean, it does not flow out in the sense of going abroad?

5590. Either into the interior or abroad?—No, neither.

5591. The payment of foreign debt is conducted, and the movement of crops is conducted, without any material inflow or outflow?—Quite so: and the movement that there is in the sense of inflow; that is to say, in a year of exceptionally large crops or exceptionally good trade there will be exports of gold into Turkey; and that gold does not come out again. The figures of gold import into Turkey are certainly not more than a tenth the figure in Egypt.

5592. Is the payment of the interest on the foreign debt managed through the Imperial Ottoman Bank?—It is managed through the Imperial Ottoman Bank and through the Council of the Debt—principally through the Imperial Ottoman Bank.

5593. Does the bank take the risk of the bills it buys?—Practically the bank gives telegraphic transfers, and it buys the bills itself.

5594. The Government comes under no risk?—The Government comes under no risk. The bank grants what are practically telegraphic transfers.

5595. (Mr. Hambro.) You said the proportion of the interest on the debt which Egypt has to pay outside is about 45 per cent. of the total revenue?—Yes.

5596. Therefore, in that way it corresponds somewhat with India?—Yes.

5597. But besides paying that, you say it has been able to absorb a large quantity of gold every year?—Yes.

5598. During those years has it borrowed on the Continent?—Only very small sums. Since the Alexandria indemnity loan, guaranteed in 1887, there has been no Egyptian borrowing at all. It has been just paying the interest on the previous borrowing without any increased borrowing.

5599. As far as I understand, India imports to balance her trade bullion every year; but I have not got it very clearly whether she imports more than she

borrow on the Continent. Her balance of trade is very insignificant if she does not import more bullion than she borrows on the Continent. In Egypt you have been able to pay the debt and import $1\frac{1}{2}$ millions without any borrowing. Therefore the proportion you have to pay on the Continent is smaller as compared with the balance of your trade than in India. If you had no debt on the Continent, instead of importing $1\frac{1}{2}$ millions and exporting $4\frac{1}{2}$ millions, you would have imported six million in bullion to balance trade?—Possibly. I do not think you would have imported 6 millions in bullion to balance trade, you would have imported something less.

5600. But India borrows so much on the Continent that the balance of trade is nothing like so largely in proportion in her favour, I believe. Now you told us about the amount of the extra token coin which is wanted in the country each year, and the difficulty you had in stopping the Turkish Government from increasing their token coinage. I think the supposed increase of the population in England is about 300,000 per annum, and the average increased requirement of our token coinage is estimated at about 600,000 a year. Have you any idea what would be the increased requirement in India with an increased average population of four millions a year?—The figure which has been given to me—which is an approximation, is $3\frac{1}{2}$ crores a year.

5601. When you have made the sovereign legal tender do you think it will assist the inflow of gold into India if you get the Customs revenue payable in gold?—I should not desire to do that. I should desire gold to be made legal tender for everything. I should have one set of coins legal tender for all purposes, and not have one for Customs and another for private debts and commercial accounts, I think the system of Turkey is a very awkward one—silver medjids for the sheep tax for instance and gold coins for the Customs. I think that is a bad system.

5602. (Chairman.) What I understand you propose is that we should leave the rupee alone—unlimited tender—and that we should add to that gold as unlimited tender, the Government not interfering with it one way or the other?—Quite so.

5603. (Mr. Holland.) You told us that the Turkish Government had abstained from coining an excessive quantity of silver, but that they had done so under pressure from the outside?—Under recommendations, I should say, from the State Bank.

5604. Is the effect of those recommendations likely to be permanent or will there be a risk of a recurrence of that temptation?—I think now they have got over the danger. They see that the abstinence from increasing the circulation has produced very good results.

5605. You told us that the statistics of imports and exports into and out of Turkey were very unreliable. Can you tell us any reason why they are unreliable?—There is no statistical department of the Turkish Government. The Customs keep nominal statistics, but it is more for revenue purposes than anything else; and anything that does not pay a tax they do not put in.

5606. It is not because of its being to anyone's interest that the statistics should be unreliable?—No, not at all. It is simply that they are an unstatistical people.

5607. You told us that, although gold was imported into Turkey, it was never exported?—That is so.

5608. Is it the same with regard to Egypt?—In Egypt, after every busy season there is an export of from one to two millions.

5609. Do you think that the inaccuracies which you speak of in the trade statistics of Turkey extend also to the statistics with regard to the import and export of gold?—No, I think not, because that record is really kept by financial institutions for their own purposes.

5610. You refer to the extreme importance which exports of cotton hold in the total exports from Egypt. Do you think that these increased exports of

cotton from Egypt are to be attributed to the improved irrigation that has been carried out for the last few years?—Certainly.

5611. So that the Government has had a very real interest in the outlay on productive works of that class?—No doubt.

5612. For they have contributed a good deal to national prosperity?—To a remarkable extent. The public works there have increased the cotton crop by fully 150 per cent.

5613. You told us, I understood, that although they had a silver currency in Egypt, it was only legal tender to the extent of 5*l.*?—That is so.

5614. Of course, in regard to the silver currency of India the rupee is unlimited tender. Does not that differentiate the case of India very much from that of Egypt?—I do not think so to a large extent; and what difference there is is that the rupee will be better treated in India than is token silver in Egypt. I think the real difference in that respect is that in Egypt the amount of silver currency is very much smaller than it is in India.

5615. You are aware that one of the chief objections to the introduction of a gold standard is that we have not yet sufficient gold available for the operation?—Quite so.

5616. But I understand you think that there is sufficient gold available for carrying it out?—Quite.

5617. Can you tell us in round figures how the populations of Turkey and Egypt compare with the population of India?—The population of Egypt is, I believe, now estimated to be something between 9,000,000 and 10,000,000; the population of Turkey is estimated to be about 20,000,000.

5618. In round figures one-tenth of the population of India?—Yes.

5619. Do you entertain the opinion that the amount of currency needed in a country is at all proportionate to the population of the country?—I think the amount required per head of the population varies enormously with different countries.

5620. You admit probably that a gold standard with a gold currency would need more gold than without a gold currency?—Yes.

5621. In regard to the proposal of the Indian Government, are we to understand that you prefer Mr. Lindsay's proposal to the proposal of the Government of India?—Well, I do not like either, but my views are more analogous to those of Mr. Lindsay than to those of the Government of India.

5622. Do you consider that fluctuation of exchange is a very great evil?—Yes, I think it is a very great evil if it fluctuates with unknown maxima and minima. I think a fluctuation within say a farthing or a halfpenny or three farthings at stated seasons is not a great evil.

5623. You are aware that the Herschell Committee rather minimised the permanent effect of fluctuation in their report. They say, "Notwithstanding these fluctuations, the volume of trade over a series of years has not been diminished from this cause"?—Quite so. I do not attach undue importance to it; but I think if you can get a stable exchange you had much better do so.

5624. In reference to the objections which exist to a token currency, one of them is that it has to be managed by Government?—Yes.

5625. But, I suppose, by lowering the rate, as you suggest, there will be less management needed by the Government than would otherwise would be the case?—I think so. I think the management by Government will only be needed to a small extent, and only for a very brief period. You would very soon arrive at your second and third stages at which any Government intervention will not be required.

5626. You admit, of course, that great stringency in the money market is an evil in its influence on trade?—Quite so.

5627. Have you any opinion as to how the great stringency that has existed latterly in India has been caused?—Yes, I have a strong opinion. I think

there are two causes. First of all, the question of the management of the Government balances; and, secondly, I think the present system tends enormously to increase stringency during the busy months.

5628. Do you think the action of the Government in closing the mints in 1893 had anything to do with the stringency of the money market?—I think so. I think the stringency has certainly been accentuated by the present method.

5629. Do you think that the supply of rupees at the present time is in excess of trade requirements?—I think redundancy or the reverse can be measured absolutely by the course of exchange; that is to say, that the circulation is redundant when the exchange is under 1*s.* 4*d.*, and it is not redundant when the exchange is at 1*s.* 4*d.*

5630. You do not think that the high charges for interest and discount are any criterion as to the supply of currency?—I think it is not nearly so good a guidance of redundancy or stringency as the exchange.

5631. (*Sir A. Dent.*) You told us that in Egypt they have got practically no currency question, and from what you have told us of the rates of interest, 9 or 10 per cent. in the busy season, and 4 or 5 per cent. in the slack season, I should imagine they have hardly got an interest question either?—In reality there is no complaint regarding these rates.

5632. I am thinking of this question rather from the planter's point of view, and in reference to India and Ceylon planters, they are very much affected, you will admit, not only by the rate of interest, but also by the rate of exchange?—Quite so.

5633. Then, I think you said also that the rupees, in your opinion, are not sufficiently absorbed?—Yes.

5634. If you are an advocate for the further absorbing of rupees, surely that would bring additional disaster to the planters?—No, I think the present stringency is caused to a considerable extent by the fluctuations of exchange—much more by the fluctuations of exchange than by the insufficiency of the rupee currency. I believe that if you can eliminate these extreme fluctuations of exchange you will get rid of the stringency, which is undoubtedly a great existing evil.

5635. The fluctuations of exchange you recognise, I suppose, affect the merchant a great deal more than the planter. The merchant can deal with his exchange month by month, but the planter cannot?—Quite so.

5636. May I ask one or two questions about the Bank of England notes which you say might circulate in India. You said those notes would be more popular?—I think they would be more popular as regards London.

5637. Then that does not apply to India?—That does not apply to India. I think, on the contrary, in India gold would be more popular than notes.

5638. The probability surely is that those notes would be returned home almost immediately after they had arrived in India?—I think the inflow and outflow both of gold and notes would be based almost entirely upon seasons; that is to say, you will have the inflow into India during the spring, the busy season, and the possible outflow during the autumn, the dull season.

5639. Now, as to forgery of notes, the great protection, I take it, to the Bank of England here is these notes being so constantly presented, and it being so easy also in England and in Europe generally to find out whether notes are good or not; but that would hardly apply to India; and would it not therefore be very difficult to keep any notes in circulation in India?—You mean owing to the people fearing forgery.

5640. Yes?—It might be difficult with regard to smaller transactions in the interior. I do not think it would be a difficulty as regards the operations of the export towns.

5641. (*Sir C. Crosthwaite.*) Comparing the condition of Egypt with that of India, has Egypt been borrowing lately?—No, very slightly indeed. I cannot give you absolutely accurate figures, but as far as my

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Sir E. Vincent, recollection goes, since the Indemnity Loan of 1887
K.C.M.G. no considerable loans have been made.

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5642. Have the exports ever been insufficient to cover the interest on the foreign debt?—No never. I am taking the question simply as regards the currency. In Egypt, even during the worst periods of bankruptcy, after the Ismail business, the financial difficulties of the country have not caused any currency crisis. We were never forced to export gold to an extent hampering currency. Only the surplus gold not required in Egypt for currency has been exported.

5643. Have you ever been compelled to borrow gold in London to pay your interest?—No; the Government committed bankruptcy, and there were all sorts of financial difficulties between 1876 and 1886; but during all that period, which was one of extreme stress, the currency system worked quite smoothly.

5644. The country has a large surplus of exports over imports?—Yes.

5645. Is there any estimate of the amount of gold that is brought into Egypt yearly by the foreign visitors?—Estimates have been framed, but it is very difficult to get anything at all accurate. I should think if you put it at 1,000,000*l.* a year you are over the figure.

5646. (Sir D. Barbour.) Is there any British expenditure in Egypt at present?—There is a small expenditure for the army of occupation, but that is a very small figure.

5647. 200,000*l.* or 300,000*l.*?—I am almost afraid to give the figure, but it is quite insignificant.

5648. Does Egypt or Great Britain pay for the troops?—There have been endless arguments about that. I think, if I recollect rightly, Egypt contributes something; the main burden is borne by England.

5649. The population of Egypt is about 9,000,000 or 10,000,000?—Yes. There was a census made in 1875 which gave a population of only 6,000,000 or 7,000,000. There has been a recent census which gave an enormous increase on that.

5650. The exports are about 14,000,000*l.* sterling?—Yes.

5651. That is about 30*s.* per head?—Yes.

5652. That is very much larger than the exports of India. Taking the population at 300,000,000, 30*s.* per head would give you 450,000,000*l.*, which is six or seven times the actual exports?—I suppose the actual exports is 100,000,000*l.*

5653. Not 100,000,000*l.* sterling; it is nearer 100 crores of rupees?—I should say that the export trade of Egypt bore a much larger proportion to the total trade than is the case in India. I think that is rather an important point.

5654. Because it is a smaller country and produces special products?—Yes, it is really like a market garden. Everything it produces is exported.

5655. Do you know what the rate of wages is in Egypt?—My knowledge is a little out of date with regard to that. I would rather not give you any figure. It varies very much indeed in the Delta and in Upper Egypt.

5656. Would it be something like 1*s.* a day?—I should think less.

5657. 8*d.* or 10*d.*?—Yes. I remember when the *Corvée* was commuted, and then I think the rate of labour was about 9*d.* or 10*d.*, but I should like to check the figure.

5658. As regards the gold that comes into Egypt and flows out again, I suppose your figures are based upon certain returns?—On the Customs returns, those I think can be taken as certain.

5659. But any small sums that flow out overland or in the pockets of travellers would not appear in the Customs returns?—They would escape observation.

5660. The Indian difficulty in establishing a gold standard is the large amount of coined rupees in existence?—Quite so.

5661. That is really the great difficulty?—That is the great difficulty.

5662. You made certain remarks about the management of the Government balance in India. The Government balances are very high at the busy season when money is tight, and they are low in the slack season when money is easy?—Quite so.

5663. And you thought that the balances might be used so as to relieve the pressure in the busy season?—Yes.

5664. I do not know whether you are aware how the Government balances are distributed, and where they are kept?—I have a general knowledge of the question.

5665. Perhaps you will take from me this rough statement of the matter. There is a certain amount kept with the presidency banks at Calcutta, Madras, and Bombay, but there is also a certain amount kept in what is called the reserve treasuries in Calcutta, Madras, and Bombay, and these reserve treasuries are Government treasuries, and the money kept in them is in the actual possession of the Government. Besides those places where money is kept by Government, there is a very large number of treasuries scattered all over India, many of them in remote parts, where revenue is received and money paid out on Government account, and you will perhaps also take it from me that where one of the presidency banks has a branch at some place in the interior of the country, Government keeps its balances in that branch bank, and not in a separate treasury of its own. Now you can conceive that if Government revenue is largely paid in the busy season it may be paid in in those districts far away from the presidency towns?—Yes.

5666. You will admit that owing to that circumstance there would be a difficulty in making that money available promptly in the presidency towns?—Yes.

5667. Whether that could be overcome or not may be a question for consideration, but at any rate there is a difficulty?—Yes.

5668. So far as Government keeps its balances with the presidency banks all the year round there is no difficulty, but there arises the question of the reserves in the presidency towns—whether they might not be made more largely available in the busy season. I do not know whether you are aware of the origin of the presidency reserves—why the presidency reserves were established?—No.

5669. You know that India is a country where the supply of capital is limited, it is not like a great money market such as London?—Quite so.

5670. If the Government kept all its surplus money in the banks, and one of these periods of stringency came, and at the same time there was a sudden demand from famine or war upon the Government they might have a difficulty in getting the money out of the banks?—Yes.

5671. In point of fact there was a demand of that kind in 1874; and one of the presidency banks that held the balance said, "We can repay you if you like, but it will cause a financial crisis and panic in the presidency towns"?—Yes.

5672. Now that would be a difficulty. I do not say an insuperable difficulty, but it would be a difficulty in the way of keeping the whole of the spare money of Government in the presidency banks?—No. I do not see that there are any administrative difficulties that could not be overcome. I have not a sufficient knowledge of the details to go into it, but it appears to me that *prima facie* you ought not to want a bigger balance in the slack season than in the busy season.

5673. But in a market like India where the Government balance bears such a very large proportion to the private balances, and where there are periods of pressure, if you leave the whole of the Government balance with the banks you might at a time of pressure find yourself without money?—It is a question of proportion and of moderation.

5674. (Sir J. Muir.) Did I correctly understand you to say in reply to Sir David Barbour that the normal charge of the troops in Egypt is paid by England?—I believe the normal cost of the troops

is paid by England, that is to say, suppose there are 10,000 troops there, Egypt pays the difference between what they would cost here and the charge entailed by their being kept in Egypt.

5675. Are you aware that the charge for English troops in India is a heavy one on the Government of India?—Quite so.

5676. Then I think you said that the rate of interest in the busy season in Egypt was 9 to 10 per cent., and in the slack season 5 to 6 per cent.?—4 to 5 I think I said in the slack season.

5677. Are you aware that during the last two seasons we have had very heavy rates in India?—Quite so.

5678. Last season the Bank of Bengal rate was 13 per cent.?—Yes.

5679. And the Bank of Bombay rate was the same?—Yes.

5680. But that does not measure the rate that merchants, European and native, had actually to pay for accommodation. In Bombay, for instance, the native merchants went to the manager with rupee paper in their hands and said, "Here are so many lakhs of rupees in Government paper, we are badly in want of money, can you accommodate us." The answer was, "No, we are quite unable to accommodate you." Then they said, "We will pay you interest up to the rate of 18 per cent.," and the manager said, "It is not a question of the rate of interest, I have not the means, I cannot do it." Are you aware of that?—I have heard of it. I quite think it is due to the measures in force.

5681. In fact, to the curtailment of the creation of new rupees to meet the extending population and industries of the country?—No, I do not think that. I think it is due to the particular measures which prevent capital coming into India, preventing also gold going out to India as currency.

5682. Have you in Egypt a case of any industry where a very large amount of English capital has been sunk, say 30 or 35 millions in the soil, in the land?—No.

5683. Are you aware that we have such cases in India and Ceylon?—Quite so.

5684. We have in the tea industry about 30 or 35 millions so sunk. Are you aware that the tea growers, the owners of these tea estates, the Englishmen and Scotchmen and Irishmen who have sunk this 30 or 35 millions, feel that they have a heavy grievance in respect of this 1s. 4d. rate being fixed?—Yes, I am aware of that.

5685. They think it interferes largely with the returns which they might reasonably expect from their property in which they have sunk this 30 or 35 millions?—Yes.

5686. Is it your opinion that those who are interested in the prosperity of a country should do what they can to avoid any measures that would tend to keep back or decrease the exports of that country?—You have to survey the question in its entirety. You must take the various interests concerned in a country and draw the balance between them.

5687. But, generally speaking, is it your opinion that it is desirable that the exports of a country should exceed its imports so that the balance of trade shall be in favour of the country?—I am not a very great believer in the balance of trade theory. It does not affect the currency, I think, nearly so much as people imagine. In reality a country will not import more than it can pay for.

5688. Does it not very much affect the rate of exchange?—I think much less than is usually supposed.

5689. But it must to some extent, that is to say, it makes a difference whether a country has a margin of 10 millions, and that it has to pay or receive from abroad 10 millions of money. Does not that affect the exchange?—Not much, I think. I think the permanent importance of that on exchange is enormously exaggerated, although it may cause a temporary effect.

Imports and exports operate on a different plane from currency.

5690. Are you of opinion that the proper ratio between silver and gold is an important question to the trade of India?—That I have no very clear opinion upon.

5691. You indicated that although it had not been definitely fixed yet that 1s. 4d. should be the rate, still practically that is the rate we are working at at present in India?—Quite so.

5692. But if those interested in trade and commerce and other matters in India were of opinion that this was seriously interfering with their operations, do not you think that the question should be reconsidered?—My view is that if it is proposed to make a change from 1s. 4d., the onus of proof is very clearly on those who desire a change.

5693. But proofs being adduced to that effect, then would you agree that the matter ought to be reconsidered?—The matter might be reconsidered.

5694. (Sir F. Mowatt.) I think I understood from you that the silver currency in Egypt amounted to about 2 millions sterling, and gold to about 25 millions?—You may put it at 1½ millions of silver; it is not as much as 2 millions. As regards the gold currency, 25 millions is Haupt's figure, but it depends what you mean by gold currency, whether you mean the gold actually in circulation or whether you include gold in hoard.

5695. I am including gold in hoard. I suppose almost all wages throughout Egypt are paid either in silver or in small nickel currency?—I think a large portion of them, yes, but the smallest native understands gold there.

5696. But I am afraid he does not earn it?—He does not earn it sufficiently.

5697. Is it found that such a small currency as two millions is sufficient to carry on the whole wage-earning commerce of Egypt?—Yes; the Government would be delighted to issue more silver currency, but it is found sufficient. There is no sort of objection on the part of the Government to issue more silver; in fact, when the currency reform was carried out, we thought that the amount of silver to be absorbed would be much larger, and we coined more silver than was subsequently found to be required, and a certain amount actually had to be melted.

5698. I suppose the larger transactions are carried out either in gold or paper?—Almost entirely in gold.

5699. When the Austrian dollars were demonetised, what became of the silver?—It was exported. The way in which they were driven out of the country, so to speak, was this: We will take the old Maria Theresa trade dollar, which was taken then by the Government at 17 piastres. The Government said, "We are now in July; from September we will take it at 16 piastres; from December 15; from next March 14." The export value of the trade dollar, we will say, was 15½ piastres, so that directly it had a lower value in Egypt all the dollars flowed out. It was found that the Government, by fixing the figure at which they would make the rate in various months, had an absolute command of the coins, because, by putting them up or putting them down half a piastre, they could attract or expel them as they liked.

5700. I think you said that for a sound investment foreign capital could be always obtained in Egypt now?—Quite so. I think there is no difficulty of that kind.

5701. Do you attribute that in part to the confidence (which is not felt in India) that the money needed for investment can be withdrawn practically at the same rate of exchange at which it went in?—Very largely.

5702. (Chairman.) Am I right in understanding that your proposal with reference to Bank of England notes simply means that they are a convenient representative of gold?—Precisely.

5703. Knowing that they are always convertible into gold they will be taken as gold?—Precisely, and

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the objections urged against gold, as to the probability of gold being turned into hoard and replacing silver, cannot be urged with the same force against bank notes.

5704. Do you think it is possible to continue the present state of things in India?—I am in favour of the continuance of the present state of things with slight modifications or slight attenuations and corrections.

5705. You do not propose the re-opening of the mints?—Distinctly not.

5706. You think that would be calamitous to India?—I think it would be disastrous.

5707. (Mr. Campbell.) Would you not consider that tight money was an evidence that for trade requirements the currency was not redundant?—I should certainly, but I think that the stringency of money in India during the last two years is due not only to the closure of the mints but to certain bad applications of the system. I think you can keep the mints closed and avoid the stringency.

5708. You rather measure the redundancy of currency by the rate of exchange?—Certainly.

5709. How do you arrive at the rate of exchange with regard to which money is redundant or not? Is it a fixed rate that you have in your own mind?—No, I assume a rate of 1s. 4d. or 1s. 3d. or whatever you like, and I say that when exchange is below the rate it is redundant: supposing you take 1s. 4d. as the rate, then when exchange is at 1s. 3½d., currency at that moment is redundant as regards 1s. 4d.

5710. To continue that state of things is, it not rather to make trade conform to an arbitrary rate than to allow the trade to determine what the rate shall be?—The selection of the ratio of 1s. 4d. or 1s. 3d. is purely arbitrary, and is, I submit, a question of convenience. You can choose the rate which suits best.

5711. I think you suggested the removal of the redundancy of the currency to the extent of several crores of rupees?—Yes, at a moment when the rate of exchange is evidence of redundancy.

5712. Are you aware that there is a natural contraction of the rupee currency always going on?—There is a natural absorption of rupees from natural causes, yes.

(The witness withdrew.)

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Sir ANTONY PATRICK MACDONNELL, G.C.S.I., called and examined.

5716. (Chairman.) Will you state the official posts you have held?—I am now Lieutenant-Governor of the North-West Provinces, and Chief Commissioner of Oudh. I was a member of the Viceroy's Council from the end of 1893 till April 1895. Before that I acted as Lieutenant-Governor of Bengal, and before that I had been Chief Commissioner of the Central Provinces. For a very brief period I officiated as Chief Commissioner of Burmah; I was Secretary to the Government of India in the Home Department from 1886 to 1890. Before that, I was Secretary to the Government of Bengal in the Revenue Department. Before that, for about 15 years, I had served as a district officer in various districts.

5717. How long have you been in India?—Over 32 years, with intervals of about four years' leave of absence.

5718. You are aware of the state of things which led to the closing of the mints?—Generally, yes.

5719. That was in 1893. Where were you then?—I was then, I think, in the Central Provinces.

5720. Can you tell the Committee generally what was the state of things in India before the closing of the mints, and what has happened since the closing of the mints?—I wish to explain that I do not claim to be a currency expert, and that I have been invited to give evidence from the administrative point of view as to the effect of the closing of the mints upon the state of the country generally.

5713. Do not you think it would be better to trust to that acting sufficiently in course of time rather than to adopt any artificial withdrawal of the currency?—I am only in favour of the withdrawal of rupees with a view to prevent the extreme fluctuations which now occur, not in order to screw exchange up. I consider fluctuations a great bar to the introduction of new capital into India. I am not in favour of withdrawing rupees with the intention of forcing up the exchange, but merely with the view of correcting extreme oscillations by bringing in a moderating factor during the dull season. I want to make that very clear.

5714. (Mr. Le Marchant.) You made a very important remark comparing Egypt and India, in respect of their relative proportions of home and foreign trade. What conclusion would you deduce from that to as to the amount of gold that would have to come in and go out?—I think the argument was this: A member of the Committee said, "Your cotton export is 9,000,000; you require an import of 3,000,000 to enable you to work it; the exports from India are Rs. 114,000,000; therefore you would want a season import of one third of that to enable you to work your import trade; therefore you would want 27,000,000l. of gold imported during the busy season, which of course would be an extremely inconvenient thing to the world in general." I said the cases are not analogous, because in India the interior trade, which is more constant, bears a much larger proportion to the whole trade than it does in Egypt, and the result is that you would require not 27,000,000l. but something very much smaller.

5715. (Chairman.) Will you be so good as to sum up your proposals?—I would do four things:—(1) make the sovereign and Bank of England note legal tender in India; (2) alter the system of Government balances so as to increase the available supply of rupees for trade purposes during the busy season; (3) reduce the mint value of the sovereign to 14½ rupees, as compared with the present mint rate of 15 rupees, but maintain the treasury or taxpaying value of the sovereign at 15 rupees; (4) limit the proposal of the Government of India for the withdrawal of rupees to periods of exchange at or below 1s. 3½d.

5721. It is from that point of view that we want to hear you?—The first thing I would beg to call your attention to is the course of prices in the North-West Provinces, both before the closing of the mints and after the closing of the mints. When I first went to India, in the first five years of the sixties, prices ranged low; from 1860 to 1873, about the time when the currency depreciated, there was considerable oscillation in prices; from 1873 until 1885 there was less oscillation.

5722. Was the tendency up or down?—The tendency was generally upwards but the variations were marked. Prices steadied from 1885 till the mints were closed in 1893. There was a great stability in prices, with a tendency upwards. From 1893 until now, or until the middle of last year, there was an extraordinary rise; prices reached in 1897 a higher level than they had ever reached before during my experience of India. From that time till now they have fallen, but when I left India they had not fallen to the point from which they started at the time when the mints were closed, from which I infer that the closure of the mints has had no appreciable effect on the course of prices.

5723. Prices, do you mean, of food?—I am speaking of food grains alone. I should have expected, and the theory would be, that the prices of food grains would have fallen; that the rupee would purchase a larger amount of food grain than it did before;

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but the rupee has purchased, and continues to purchase, a smaller amount of food grain than it did before, from which I infer that so far as prices are concerned the closure of the mints has had no effect up to this year upon rural economy in my province.

5724. The people have been neither the better nor the worse for it?—Some people have been much better; people who had crops have enormously gained.

5725. But I mean the people who are purchasing?—The people who are purchasing have had no advantage.

5726. The people who are selling have had an advantage?—A great advantage.

5727. What is the position at the present moment?—The present position is this, when I left India prices had become arrested at a point considerably higher than the point from which they started in 1893 when the mints were closed.

5728. Should not you have expected the effect of the closure to have shown itself in the establishment of lower level prices?—It should have been so according to the theory, but the theoretical effect has been entirely obscured by the series of adverse seasons through which the province has passed. Beginning with 1893, we have had a series of four bad seasons culminating in 1897, in a famine all over the province. I have asked myself how it is that prices have not fallen yet. I attribute it in a measure to the fact that the people are replenishing their stores, which had been depleted by the famine; and consequently a less supply of grain is thrown on the market than would otherwise have been the case.

5729. (Sir F. Mowatt.) You are referring to a depletion of the stores of grain?—Yes; but I am also disposed to think that prices have reached a level under which I do not expect them very much to fall, owing to the great development of railway communication with the seaboard, and the foreign demand which has sprung up. That is the opinion of grain merchants with whom I have consulted. They do not look forward to a fall in the price of food grains in India much below what they have already reached, which is a higher point than when the mints were closed.

5730. (Chairman.) Can you tell us what the effect has been on wages?—Wages in India are of two sorts. The wage of agricultural labour is mostly paid in grain. The share paid is the customary wage; but there has been in the towns and for artizan labour a distinct rise.

5731. Since the closure of the mints?—I cannot say since the closure of the mints, but the rise is going on.

5732. Since the depreciation of the currency?—Certainly.

5733. I suppose you would take the period of depreciation of the currency as commencing after the demonetisation of silver by Germany?—The effect of the depreciation of the currency has been seriously felt in India, both on prices and on wages, but, in my opinion, it was not very perceptible before 1885. Since 1885 it has become, I think, more marked.

5734. Now have you found, as a consequence of the closure of the mints, that there has been any difficulty in the payment of revenue to the State, or of rent to the landowners?—None whatever. Since the mints were closed in 1893 there have been very adverse seasons, and the Government has been naturally lenient in its collection of land revenue, and forward in suspending the land revenue wherever the pressure was remarkable. The law in the North-West Provinces is this, that where land revenue is remitted, a corresponding remission of twice the amount has to be made in the rents. During the famine of 1897 the Government suspended $1\frac{1}{2}$ crores of land revenue out of 6 crores.

5735. Twenty-five per cent.?—25 per cent., and then when the famine was over, and the question of recovering that money came up, it was determined to remit or finally write off 40 per cent. of these remissions on the understanding that the landlords

would make a similar remission to their tenants—to the ryots. In the North-West Provinces the land revenue system contemplates that the landlords will remit to their tenants double the amount of any remission which the Government makes to them, the landlords.

5736. Perhaps, for the convenience of members of the Committee who are not acquainted with the subject, you will just explain what is the principle on which the land revenue is assessed. First of all we start with the theory that in India the land belongs to the Crown?—Yes. There are two kinds of assessment of land revenue. There is what is called the ryotwari assessment, in which the Crown deals direct with the actual tenant, and there is the zemindari or talukdari assessment, in which the Crown deals with the landlord or middleman. In the North-West Provinces and Oudh the first system, the ryotwari system, scarcely exists. Our principle has been based on the zemindari or talukdari system. The system on which we proceed is that of assessing the actual assets.

5737. You are now dealing outside the permanent settlement of Bengal?—Yes. Some parts of the North-West Provinces are under the permanent settlement made by Lord Cornwallis, but the larger part of the province is under settlements made every 30 years. We proceed on the principle of assessing on the actual assets. We call on the landlords to produce their rent rolls. One of the first duties of the settlement officer is to examine the rent roll of each village, with the view of determining whether they are what we call stable; that is, whether the rent is such as can be paid by the tenant one year with another without difficulty. Whenever we find a rent roll which we consider unstable, or excessive, we reduce the rental for the purpose of assessment as between the landlord and the Government; we make no interference as between the landlord and his tenant. Having got what we call a stable rental, that is, a rental which a tenant can pay in ordinary years without difficulty, we then proceed to see whether any portion of that rental has been acquired by the expenditure of capital by the landlord or the tenant. If we find that to be the case, we also exclude that portion of the income from assessment for a certain period until the person who has expended money on improvements recoups himself. We go still further, and make still further reductions from this rental when we find that any considerable portion of the property is owned by the landlord and cultivated by the landlord himself. We find by experience that a landlord cultivating with hired labour is not able to make so much out of the soil as a cultivator cultivating his own fields. Having thus arrived at a sum which we consider the fair assets, as much as can be recovered without difficulty one year with another, we then say that Government is entitled to take 50 per cent. of such assets. But although the Government's theoretic share is 50 per cent. we do not, as a rule, take so much; we have regard to the amount of the enhancement which an assessment at a 50 per cent. rate would impose on the landlord. If we found that the enhancement imposed was very high, or that the man's circumstances were poor, and that a 50 per cent. rate would seriously cripple him, we reduce the proportion that we take, and take 45 per cent. or something like that. But the main point to be considered is that we do not, for the purpose of assessing the Government revenue, make a basis of our own; we proceed on the basis of actual facts, which have been brought into existence by the operation of the ordinary law of rent, and the arrangement which the landlord has made with his own tenant. We reject, as I say, all excessive rentals, and we adopt for the purposes of assessment a rental which is considered to be fair.

5738. What proportion does that rental bear to the gross value of the produce?—That is variable.

5739. What is your maximum and minimum?—I should say that the fair average share of the gross production taken by the landlords in rent would be

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about 20 per cent., and I think, as a rule, the Government takes less than half of that. I should say the Government assessment of land revenue in the North-West Provinces is represented by about 8 per cent. of the gross produce.

5740. And the landlord would get about 12 per cent. ?—The landlord would get the difference between the 8 per cent. and the 20 per cent.

5741. The cultivator actually gets 80 per cent. ?—Yes. I may say that whenever rents are paid in kind, as they often are on inferior soils, then the basis of the Government assessment is different. Grain rents absorb in some parts one-third, and in some parts two-fifths of the gross produce; that is to say, the landlord takes in kind 33 per cent. of the gross production of the soil; when that is commuted into money rent, you get it down pretty much to the value of 20 per cent. of the produce.

5742. In fact, to put it into English, what the Government receives is the ground rent. Now you say that since the closure of the mints the Government have had no difficulty in recovering their revenue, apart from the famine ?—None whatever. I have stated that we expended during the famine $1\frac{1}{2}$ crores of rupees, and after the famine we remitted 60 lakhs of rupees out of the crore and a half. But before I left India many landlords were coming to me and saying that they did not want any remission and would not take remissions. They found that the ryots were so well able to pay their rents and were recovering their position with so little difficulty that they refused to take remissions.

5743. You would not allow a remission to your tenant unless he made a corresponding remission to his tenant ?—That is the principle upon which we went.

5744. What was the range of agricultural prices, taking it generally, when the last settlement in the North-West Provinces was fixed ?—The prices of agricultural produce were very much higher, 50 or 100 per cent. higher than they are now. That is to say, the ryot now gets a rupee by selling 32 or 35 lbs. of grain while 30 years ago, when the settlements were made, he had to sell about 60 lbs. of grain to procure a rupee.

5745. To that extent then the tenant gains ?—Yes. With the landlord. The landlord has intercepted some of the grain in the shape of increased rent.

5746. Do you think that fixing the exchange value of the rupee at 1s. 4d. will generally have an injurious effect, or a beneficial effect, on Indian agriculture ?—I do not see how it can have an injurious effect on Indian agriculture generally.

5747. Why not ?—You have now asked me a question which is more of a speculative character.

5748. We want your experience to bear upon it ?—As far as I can say, a fixation of a rupee at 1s. 4d. can only affect the tenants through the operation of prices or wages. The movement of prices and wages is very slow in India, very slow and very irregular. We made an exhaustive inquiry in the North-West Provinces in 1883-84, which showed that rents followed prices only at long intervals, and very gradually.

5749. Then you mean the rising of the prices is only very slowly followed by an increase of rent ?—Very slowly followed by an increase of rent, or by an increase of wages, and if any evil were to follow, it could very easily be anticipated and remedied before any injurious consequences could follow; but, so far as my experience goes, I have not been able to perceive that any injurious effect upon Indian agriculture has been produced by this exchange. The extension of cultivation, or a substitution of more valuable for less valuable crops in the provinces with which I am connected, are very largely connected with considerations such as the pressure of population and of internal demand, and I do not see what connection exchange would have with these.

5750. Has there been any stringency in the currency in your districts ?—I have caused inquiries to be made throughout the North-West Provinces and Oudh, as to the effect of the closing of the mints upon the sufficiency of the currency for ordinary circulation, and these inquiries place it, in my opinion, beyond doubt that the currency at the present time in the North-West Provinces is amply sufficient for all purposes of commercial or industrial operations.

5751. I mean the internal trade of the country ?—The internal trade of the country.

5752. Would you take the North-West Provinces as generally typical of the agricultural portions of India ?—I should say it is a very good example. I do not see how the facts could have been otherwise, for these reasons. During the famine we spent an enormous amount of money in relieving distress. The pressure of famine caused a large quantity of hoarded rupees to come into circulation, and the closure of the mints prevented what was always the great source of drain on the currency, namely, the melting down of rupees for silver ornaments. You have had all these three sources re-inforcing the currency during the last few years. At all events it is a matter of fact, so far as careful inquiries have enabled me to say, that the currency is absolutely sufficient for all purposes.

5753. Have you anything to say about the rates paid up country for borrowed money ?—There are two sorts of loan transactions up country. There is the loan by the bunneah or village money lender, who deals with his own money alone, and there is the loan by the mahajan, or banker, who deals with other people's money as well as with his own. Now the bunneah's business goes on at present, and since the marvellous recovery of the country from the famine, pretty much as usual. The bunneah finances the cultivators. He largely, as a rule, deals in grain, and he makes advances in grain, and he gets return in grain. Seeing that the price of grain has risen so greatly, he has been, perhaps, a little more lenient than formerly in the rate of interest he charges on his loans of grain.

5754. (Sir F. Mowatt): What do you mean by loans of grain ?—Suppose at sowing time he advances a man two maunds of grain on the understanding that he will get back a similar weight at the ensuing harvest plus his interest.

5755. His interest being paid in grain ?—Yes.

5756. There is no question of currency there ?—There is no question of currency.

5757. The rupee does not come into it ?—No, but the rupee does come in where he makes advances of money to people for the purchase of better seed, for the purchase of plough-cattle, and other such agricultural uses. There, I think, the same rates of interest are paid now as formerly. The only instances brought to my notice where there have been different rates of interest have been in those cases of money-lenders who advance upon silver ornaments. The silver ornaments have depreciated in value, and these money-lenders have been unable to recover their capital, and consequently they have had a less capital to deal with, and their rates of interest rose. But, that is not a matter of large consequence, and has not happened as a rule.

5758. (Sir J. Muir.) To what extent has it happened ?—To a comparatively small extent.

5759. (Chairman.) Now, what do you say about the banker, the mahajan, who lends other people's money ?—It seems to me that with the mahajan who lends other people's money the question of the general credit of the country comes in, and the state of trade, and the position of the country generally, whether credit is good or bad, and whether the export trade has been good or bad. I may say that one instance came to my notice of one of the largest bankers in the north of India. Before he failed, or when he was about to fail, he applied to me for assistance. It is entirely outside the province of the Government to assist a man in that position, but this

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greater value than when he put the silver into hoard? —Yes.

5785. You said as regards the ornaments, they would be sold during famine times at a less price?—Yes.

5786. That means a price less than when they were bought?—It is in this way. The ornament was made, we will say, at a time when the owner would get 12 annas per tola (a rupee's weight). Now the man can get, say, only eight annas per tola for his own ornament.

5787. That depends upon when he bought his 12 anna tola; he might even have bought it at a time when it was lower than it is now, and if so he would have no loss at all would he?—That is so.

5788. (*Sir J. Muir.*) The Chairman asked you, if the rupee fell from 1s. 4d. to 1s., what effect that would have, and then suppose it fell still further to the intrinsic value of silver, what do you estimate the intrinsic value of silver to be now in the rupee?—I suppose it is something like 10d.

5789. I think it is something like 10d., but although there are those who are opposed to the fixing of the rupee of 1s. 4d., do you hear of any who wish that the intrinsic value of the rupee should be fixed?—Do you mean by imposing a seignorage or an import duty?

5790. You know that the Chamber of Commerce in Calcutta are strongly opposed to the views of the Government of India?—I know very little about the views of the Chamber of Commerce in Calcutta. I may say I know very little about the discussions that have been going on in commercial circles.

5791. I hold in my hand a letter addressed to Mr. Chalmers our secretary (and through him of course to the members of the Committee) from the Madras Chamber of Commerce. I happen to know more or less of the views of the merchants of Bombay, Calcutta, and Madras as well as produce-growers and others, and I know that their idea is that the rate is too high at 1s. 4d., and they think the question should be considered on the basis of 1s. 3d. or 1s. 2d., but I do not hear any one recommending a less rate than 1s. 2d. Now, suppose after a full inquiry it was found that 1s. 4d. was too high, and that 1s. 3d. should be the rate. Do you see anything seriously in the way of making the rate 1s. 3d.?—The farther you diverge from 1s. 4d. the more taxation you will have to impose in order to meet the demand on the Government of India. I consider that every divergence in that way is a danger. I myself would be glad to see the exchange raised above 1s. 4d., and I think the fixation in 1893 at a maximum rate of 1s. 4d. bears very hardly on the Government of India, and shuts it out from the advantages which it might obtain from these large gold discoveries throughout the world.

5792. Are you not looking mainly to the interests of the Government of India, and overlooking those of the merchants and others who are interested in the soil, such as the tea-planter, the coffee-planter, and the indigo-planter?—No. I have always thought very carefully, as far as my lights go, over these interests. I consider that the political danger of having to raise extra taxation by novel methods in

India entirely preponderates over the views which you advocate, satisfied as I am that 1s. 4d., or even a higher exchange, will have no injurious effect on the great agricultural interests of the country, namely, the production of food-grains, cereals, and so on.

5793. Are you aware that a very large sum of money has been invested?—I have heard you say so.

5794. I want to know whether you know it of your own knowledge. Do you know that a very large sum of money has been invested in Bengal and in Assam and in the Dooars and in Darjeeling and other parts of India in these industries? It is stated that in the Indian tea estates the capital invested is about 12 millions, and that the industry employs about one million of the natives of India. Is not that a large industry?—Undoubtedly.

5795. Suppose you had invested a certain amount of your own money in one or two of these tea estates, and by the arbitrary action of the Government of India your profits were materially reduced, would not you think that a hardship?—If I were the individual I might think it a hardship, but if I were in a position where I had to balance against these special interests the question of maintaining the empire, I would say that the smaller interests ought to give way. The very existence of these industries depends on the goodwill and the contentment of the people of India; and I say that if taxation to the extent of eight crores of rupees, not to say 10 or 12, were imposed, we should not be able to hold India to-morrow without constant danger of tumults and insurrections. I think I am bound to say that I have had exceptional opportunities of knowing what native feeling is as regards the imposition of further taxation on the country.

5796. (*Chairman.*) I presume what you mean to put to us is this, that any great political disturbance would cause a very great injury to all these industries, if not destroy them altogether?—Yes. Of course I am aware that the effect of the closure of the mints might possibly tend to increase taxation, because although the number of coins paid in is the same, nevertheless the coin might represent more commodities. But this effect is produced unconsciously; the people are conscious of no additional burden. I do not see anything in the economic condition of India to lead me to believe that this burden, when it comes, cannot be borne, but I do see in the extreme dislike of the people to any new form of taxation of which they will be conscious, and which will be novel, a serious political danger.

5797. (*Sir D. Barbour.*) Did I understand you to say that the movements of prices are slow in India?—The movements of prices between 1885 and 1893—I was referring to the prices of food grains—were slow, they were steady.

5798. You mean there was no great change?—There was no great change.

5799. But as a rule the prices of food grains move up and down very rapidly in accordance with the seasons?—Yes; but still over a series of years there is a pretty fair stability, especially since the railway system has been extended.

The witness withdrew.

Adjourned.

TWELFTH DAY.

Tuesday, July 5th, 1898.

PRESENT :

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I. (in the Chair)

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

SIR ANTONY P. MACDONNELL, G.C.S.I., recalled and further examined.

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5800. (*Sir C. Crosthwaite*.) I wish to revert to the question whether there is any danger in fixing the rupee at 1s. 4d. with reference to the settlement of the land revenue. I think you have had considerable opportunities of knowing all the details of settlement work in the North-West Provinces?—Yes.

5801. And also in the Central Provinces?—Yes.

5802. Were settlements going on when you were Chief Commissioner?—Yes.

5803. And I think I am right in saying that every principle of the work, and almost every detail of the work, has come under your own eyes in both Provinces?—That is so. Perhaps I may be permitted to lay before the Committee a statement showing the manner in which I control the revenue assessments. From this form, which I now produce, you will see that for each estate, an estate containing probably on an average about 1,000 acres, I make it a point to examine the details of the matter; and in order to enable me to do that, the estates numbering many thousands, I have found it desirable to cause a form to be prepared showing the principal statistics upon which the revenue assessments are based, from which you will see that all the details that are referred to come under my personal supervision and control.

5804. Can you tell me the date of the most recent settlements?—They are now going on. I think the week before I left India I sanctioned assessments both in the North-West Provinces and in Oudh.

5805. With regard to the most recent of those, can you say that 1s. 4d., as the sterling value of the rupee, will not cause any trouble?—I am quite certain on the point, because so great has been the increase in the assets that our difficulty is, in most cases, to know how moderate our demands should be. For instance, in the Baraich district of Oudh, the enhancements, based on the principles which I explained to the Committee yesterday, would enable us to take an enhancement of 100 per cent. on the previous assessment; but the enhancements which we take are very much less than that.

5806. What do you say has been the average increase?—I should say the average increase throughout the whole of Oudh will be 25 or 30 per cent.

5807. Whereas you could have taken 100 per cent.?—We could, in certain cases, have taken 100 per cent.

5808. Has this increase been due to a rise in prices, or an increase of cultivation, or to both?—To both, but in most places to a rise in prices. In certain districts which had not been fully developed 30 years

ago, when the settlement was made, the enhancement was very largely due to the increase of cultivation; but in the districts that had been longer settled it is very largely due to the increase of rents, which have followed on the rise of prices.

5809. Was that the case in the North-West Provinces also?—Yes, partly due to rise in prices, and partly to extension of cultivation. The rise of prices in the Central Provinces we used to find was considerably over 60 per cent.

5810. In the older and more cultivated districts of the North-West Provinces I suppose there are districts in which the cultivation cannot be increased, because it is already up to the maximum?—That is so.

5811. There no similar increase of revenue is possible?—No. I should say in those districts 20 per cent. would be the maximum. In some instances we have been satisfied with 10 per cent.

5812. Has this great increase of prices been due, do you think, to a fall in the sterling value of the rupee?—I do not think so; not before 1886. I could not trace the operation of the fall in the sterling value of the rupee before 1886.

5813. It is due more to the equalisation of prices caused by improved railway communication, and improved communication with the ports?—Yes, and the opening of the Suez Canal has had very largely to do with it.

5814. So that in some districts, where grain was formerly very cheap, it has become comparatively dear?—That is so. In my own experience I know certain districts in which grain used to sell for one rupee a maund; and now, prices, owing to the construction of railways, have been almost equalised in those places with what they are in the great central markets.

5815. Rice has to be stored in very large quantities because it cannot be sold?—That was the case in the eastern parts of the Central Provinces; also in the northern parts of Behar, bordering on Nepal; what you say is quite true of the eastern parts of the Central Provinces.

5816. Since the railways have been made that has all been changed?—That has all been changed. The only way of getting out grain from those places was by Beparis and pack bullocks. That trade has been now almost completely destroyed by the construction of railways.

5817. Do you think that the same cause, namely, the opening up of land-locked provinces, or parts of provinces, has prevented the great change in the value

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of the rupee, which would otherwise have taken place from the great increase of mintage; I mean by causing more demand for silver?—Unquestionably.

5818. And by bringing silver into circulation where before it was almost unknown?—That is true.

5819. There were parts of the Central Provinces, I dare say you know, where silver currency was almost unknown previous to the construction of railways?—Yes.

5820. Now the silver has flowed into those places?—Yes, there is no place in the provinces under my control in which you cannot find silver in use.

5821. So that in that way the effect of the fall of the gold value of silver was counteracted very considerably, perhaps?—Yes.

5822. I mean its effect on prices?—Yes.

5823. Then your conclusion is that, so far as the land revenue settlements go, we are quite safe in maintaining the value of the rupee at 1s. 4d.?—Quite safe. I would draw a distinction between the settlements formerly made, which are still running, and the settlements now being revised.

5824. What is the distinction you draw?—In the former case the settlements, as I said yesterday, were made at a time when a rupee would buy a very large quantity of grain. Now the rupee will buy a much smaller portion of grain, and consequently the pressure of the revenue on those estates was very much heavier when the Government contracted with the settlement-holders than it is now. In these cases the settlement-holders have greatly benefited at the Government's expense, and a sixteen-penny rupee only puts a check to the progressively-increasing loss Government has sustained. In the settlements now being made, regard is had to the possibility of a rise in the value of the rupee, because whenever the enhancement is considerable, say over 30 per cent., we do not take the entire enhancement at once; we take it in progressive steps, 15 per cent. in the first five years, 25 per cent. in the second five years, and the full enhancement of 30 per cent. in the 11th year, thereby giving the settlement-holder time to meet the higher demand, and time to ourselves to rectify any difficulties which the larger assessment might produce on the people. That was what I wanted to bring out yesterday, when I was being examined by the Chairman.

5825. There is a great difference, is there not, between harvest prices and prices at other periods of the year?—There is a difference, but that difference is disappearing a good deal. No doubt there is still a considerable difference.

5826. I mean the harvest prices to the cultivator?—Yes, I think it is disappearing very much.

5827. That is to the advantage of the cultivator?—That is to the advantage of the cultivator altogether. So far as I can judge, I would estimate the difference now between harvest prices and prices at other periods of the year at 25 per cent.

5828. As Lieutenant-Governor you had opportunities of meeting, and you did meet, all classes of the people?—Constantly.

5829. The upper classes—the intelligent classes of the people?—Yes, and I have asked them this particular question, whether the 1s. 4d. rupee would have any injurious effect upon their tenants, and the answer I get is invariably No. I must say they are not in the habit of considering these speculative questions, but so far as I have explained it to them, and talked it over with them, they have told me that they did not see any likelihood of injury.

5830. Do you think that many of them know that the mints have been closed?—The bankers know.

5831. Do you think many of the landowners know?—It does not occur to them, because as far as they see, no injurious effect, or any effect at all, so far, has been produced by the closing of the mints on their rents.

5832. Do you think the bankers do know?—Yes, the bankers know.

5833. (Sir F. Mowatt.) When you say bankers, do you mean bankers in the large towns?—No, I mean the native bankers.

5834. The small men?—Yesterday I drew a distinction between the local money-lender who deals with his own capital, and the big mahajan in the larger centres of commerce, who deal with other people's capital. I now refer chiefly to the latter. The former man, the village money-lender, knows also that the mints are closed because of the depreciation of silver ornaments; he can no longer take the ornaments to the mint and get rupees for them.

5835. (Sir D. Barbour.) Does not the small banker know that the intrinsic value of the rupee is not the same as it was?—That is so.

5836. (Sir C. Crosthwaite.) As to the ornament question, has anyone made a complaint to you?—During the famine frequent complaints were made.

5837. (Chairman.) By whom?—By the respectable cultivating classes who had pawned ornaments, but the complaint was not against the Government, it was more with regard to the money-lenders from whom they raised money. They thought that hard bargains were being driven with them, but the matter was not of any such consequence as to force itself upon our attention during the famine.

5838. (Sir C. Crosthwaite.) I suppose, as a matter of fact, most of the people who would sell their ornaments have sold their ornaments already during the last famine?—I should say No, because we find that the people of the class who had silver ornaments were in a very much better position to meet the pressure of distress through this last famine than in the case of previous famines. I remember well the famine of 1874 in which I was concerned, and there we had a much larger percentage of the cultivating classes upon our relief works than in the case of this last famine. So that I should say there was much less pawning of silver ornaments on this occasion than on previous occasions.

5839. For the future it would be the other way about, would it not; they would get more silver ornaments for their rupees?—They would get more silver ornaments; they are now buying bullion and making it into ornaments.

5840. They find they can get more for a given number of rupees?—Yes, so much so that they refuse to release the ornaments that they have pawned, because they can replace them cheaper. On that point I have had inquiry made and that is the result.

5841. Therefore, there is not likely to be any standing grievance on that head?—I do not think so. I think that after all only two or three persons out of ten are people who would be in the habit of pawning ornaments. It only comes in in times of extreme pressure, and it does not fall upon everybody, and after all the loss, such as it will be, is small in the individual case, although it may be considerable in the aggregate.

5842. It is very much like a man in England pawning his spoons?—Very much like that, and everybody does not do it. I think it is very possible that this matter may be, and is now being, made a peg upon which to hang arguments against the Government by certain classes in India, but so far as I have seen the people have not responded to it.

5843. Do you think it originated in India or in England?—In England, I think.

5844. (Sir C. Crosthwaite.) Now, as regards the stringency of money. If there had been any difficulty in getting coin there must have been difficulty in collecting the land revenue?—Unquestionably.

5845. And if there had been any difficulty in collecting the land revenue it must have come to your notice?—Undoubtedly. We have collected the land revenue this year with even greater facility than in previous years. You will see that by the number of compulsory processes which are issued.

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5846. No money could be remitted and no large suspensions could be made without your orders?—None.

5847. If any district is in balance it would be reported to you at once?—Yes, it would come to the Board of Revenue in the first place.

5848. And you would know of it at once?—Certainly.

5849. There has been no such difficulty?—No such difficulty.

5850. Did any of your officers report that there was any difficulty in getting coins?—None whatever. I had careful inquiries made on that point throughout the provinces, and there was no difficulty whatever in getting silver coins. The only one part of the province from which I received a report to the contrary was from Jhansi, in which some rents are payable in a local coinage, and there was for a certain time some difficulty in exchanging the local coinage into rupees.

5851. (*Chairman.*) Do you mean by local coinage Native coinage?—Yes.

5852. There has been no closing of the mints in the Native States?—No. At this particular place there had been no closing of the mints; but this was a purely local matter.

5853. We quite understand your evidence to be that, so far as your knowledge is concerned, both personally and through your staff, there was no stringency of currency in the internal trade of India in the North-West Provinces?—That is my evidence.

5854. (*Sir C. Crosthwaite.*) And the district organisation is such that it must have become known if there had been.—Yes.

5855. There are large courts of wards estates under the Government?—Yes.

5856. Would you say, roughly, how many lakhs of rupees are collected by Government for courts of wards estate?—Considerably over half a crore.

5857. You had no reports of any difficulty as to those?—No.

5858. What is the land revenue of the North-West Provinces?—About six crores exclusive of provincial rates; say $6\frac{3}{4}$ crores altogether, or nearly Rx. 7,000,000.

5859. You said yesterday you did not think it was possible, without great difficulty and causing much discontent, to raise the revenue much?—I am very strong on that point.

5860. For instance, take the land revenue; how much is it in our power to raise the land revenue to-morrow if we wanted?—You could not raise any of the assessments, unless the settlements fell in, without a breach of faith. It is impossible; and as far as the settlements are coming in, we do raise the rate as far as we can by the process I have explained to the Committee.

5861. What are the other main sources of revenue that we have?—The land revenue is about Rx. 6,000,000. The provincial rates are Rx. 964,000; so that you may call it $6\frac{3}{4}$ millions Rx.

5862. They depend upon the land revenue?—Yes, they follow the land revenue; they could not be raised except in the same way. Then income from stamps, Rx. 130,000.

5863. Do you think it is possible to increase that?—Not substantially. It depends on the litigation of the country, and on the commercial relations. You could only do it by increasing the duty on stamps. It is a progressive measure.

5864. Is it your opinion that our tax on litigation in India is too low?—One of the standing objections to it is that it is too high. Then we have excise, Rx. 155,000.

5865. Do you think that might be increased?—I think a little in the North-Western Provinces. It is a matter which I am now inquiring into. By tighter administration, by preventing illicit distillation, and by increasing the rate of duty, something might be done, but it will not be substantial. I should say it might be raised by at the very outside 25 per cent. I do not expect that will be produced within 10

years. With the exception of salt, those are the principal heads of revenue.

5866. Do you think you could double your income-tax?—I do not think so. There is an agitation against the minimum which we have fixed. The revenue is gradually expanding; and I believe, myself, that the country could now afford, without injury to industry or commerce, 6 or 8 crores of additional revenue.

5867. In the North-West Provinces?—No, in the whole of India. I should say that the North-West Provinces would be able to furnish about a crore of rupees additional without injury to the commercial and industrial resources of the country. But to raise that you would have either to incur a breach of faith, by increasing the land revenue in spite of the settlements, or you would have to impose unaccustomed and new forms of taxation; and I, as a responsible administrator, should fear the result of doing that.

5868. Do these remarks apply generally to all parts of India?—To all parts of India that I have any knowledge of—to the Lower Province of Bengal, to the Central Provinces, and to the North-West Provinces.

5869. And Burma?—My experience of Burma is very slight. I have not been in Burma since 1889, and I am unable to speak with any authority as to Burma. The great enhancement of the land revenue above what is gradually proceeding that would be possible would be on estates that have been permanently settled; but that would involve a violation of faith, and violation of faith would, of course, be incompatible with our position in India.

5870. And without that violation of faith, nothing much could be done?—Except in the gradual course of expansion of revenue, I think not.

5871. You mean by gradually putting more local charges upon them?—Yes; by enhancing revenue as settlements fall in and by putting on local charges. Our administration has that tendency. The tendency is that way.

5872. Is there much tea in the North-West Provinces?—Not much, a little in Kangra (that is, in the Punjab), and a little in the Dehra Doon and Kumaon districts.

5873. Have you come across much tea in Bengal?—Yes; but that was some time ago.

5874. Do you think the tea interest is so great as to justify the sacrifice of other interests?—Oh, no.

5875. (*Lord Balfour of Burleigh.*) You told us, in answer to Sir Charles Crosthwaite, that to increase the land revenue would be a breach of faith, and the only other method of increasing the taxation would be to put totally new taxation on other articles?—A breach of faith during the currency of the settlements.

5876. That being so, that is not immediately available?—No.

5877. If you were forced to raise more revenue from land, you could not do it immediately without a breach of faith?—No. As the settlements are falling in we raise more revenue from the land.

5878. Quite so, but that is not immediate?—Not in a very large scale.

5879. If you want another million of rupees, it is not available immediately without a breach of faith?—No.

5880. And you deprecate the imposition of new taxes?—Yes.

5881. It is obvious that if the exchange value of the rupee was to go down to anything like its silver value, new taxation from some source or other would be necessary?—Yes, to the extent of between eight and ten crores of rupees, I believe.

5882. And in addition to the indications of your opinion that you have given us, may we take it that to put on any new taxation at all commensurate with what would be required under those circumstances would, in your opinion, amount to a grave political danger?—Certainly. I am very strong on that point.

5883. You have no doubt on that?—Absolutely no doubt.

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5884. And, therefore, you consider it an alternative to be avoided by every possible means that lies in the power of the Government?—Yes, it is an alternative which I think under no circumstances ought to be accepted.

5885. (Chairman.) I have only one question to ask you in reference to ornaments. Is it your opinion that the general impression as to the amount of ornaments is exaggerated?—I think so; the impression, as I understand it, being that where cultivators get money they usually melt down their rupees into ornaments, and do not reserve the greater portion of it in the shape of coined money. My belief is that they reserved the greater portion of it in the shape of coined money, and it is the smaller portion which was melted down into ornaments.

5886. But during the famine your impression was that there was not a large amount of rupees hoarded because they did not come out?—Oh, no. Rupees did come out. Ornaments did not come out very largely because the pressure on the classes who had ornaments was not so great as in former times. Their position, their standard of comfort, their power of resisting distress, had increased owing to the high prices that had prevailed.

5887. Did you form any idea as to the probable amount of hoarded currency that came out—hoarded rupees?—No, I have never endeavoured to estimate that; I think that probably an examination of our treasuries, and of the rupees of old mintages that came out, might give some indication on that point.

5888. As I gather, the Government of India were rather of opinion that the amount that came out on the whole was smaller than they expected?—Certainly, some did come out, because it was brought to my notice.

5889. Then, just in explanation of one question which Lord Balfour of Burleigh put to you, dealing with the land revenue; it is outside practical politics altogether, is it not, to attempt to alter that?—Yes.

5890. It would amount to an act of rapacious confiscation, would it not?—Yes. You have passed your word, and if you broke it you would alienate the good-will of the very class upon whom your Government rests.

5891. (Mr. Holland.) You told us that if the exchange value of the rupee were to fall to its bullion value an enormous increase would be necessary in taxation, and that that might lead to serious political trouble. Without presuming to question the soundness of your views with regard to that, I should like to ask, would one effect of a fall in exchange be that the grower of produce would receive more rupees for his produce, the gold price remaining the same?—Yes.

5892. Are you aware that some contend that those additional rupees that he would receive consequent on the fall of exchange might enable him to pay more rupees by way of taxation, and at the same time leave more rupees for himself?—No doubt it would, but we could only get additional rupees out of him very slowly, and I should say, for a very long time not to the extent of the taxation which would be immediately necessary—nothing like it.

5893. (Mr. Campbell.) You spoke yesterday of the failure of a native banker. Have you any knowledge of what brought him into difficulties?—At the latter end of yesterday's sitting I did not perhaps make quite clear what I intended to say. You, Sir Henry Fowles, as I understood, asked me a question as to whether the rupee currency was inadequate, and I answered No, that all my information was in favour of the rupee currency being adequate for all purposes of internal transactions. Then you pointed to the fact that stringency did exist in the money market, and you asked me how I explained that. I went on to say that there were two sorts of dealings in the interior; one the dealings of the small capitalists that I mentioned, and in regard to them, I stated that there was substantially no variation from the practice which prevailed before the famine. Then, in regard to the larger transactions, I stated that

I considered that the stringency of the money market was due to the calamities through which the country had passed, which had affected the credit of these banking firms; and I gave as an illustration the case of one firm which came within my own observation and knowledge, and I stated that that firm had applied for assistance to a bank in the Presidency town, and that assistance had been refused, either on the ground that the security was insufficient, or on the ground that money was not available—that loanable capital was not available to advance. My point was that if assistance was refused on the ground that the security was insufficient, then obviously there was no connexion with the currency or the monetary policy of the Indian Government. If, on the other hand, assistance was refused on the ground that loanable capital was not available, I maintained that it was also not directly connected with the monetary policy of the Government of India, but connected with what I understood to be the case, namely, that money had been transmitted to England and converted into gold, whereby the capacity of the Presidency banks to lend money was curtailed.

5894. Was that a security which a banker would have been able to get advances upon in ordinary times?—That is a point, I think, on which I should prefer not to enter, because, although I have looked into the accounts of the firm myself when an application was made to me to take the firm under the Court of Wards, I cannot say whether the security would be adequate to a bank or not. All I want to point out is the alternative; first, the assistance was refused, and that must have been either on account of insufficiency of security or on account of want of capital to lend. In either case there was no connexion, in my opinion, with the monetary policy of the Government of India; my object being to show that the stringency of the money market was not due to the monetary policy of the Government, so far as I can judge from that particular case.

5895. Do you know of any other difficulties of a similar nature?—Other difficulties have occurred. To my own knowledge three large firms failed, but one brought down the other. That is a point, I may say, in regard to which I cannot speak from such personal knowledge as I am able to speak from in regard to settlements and the existence of a sufficient amount of currency amongst the people, or in regard to the sentiments of the people concerning taxation.

5896. You say there is no indication of scarcity of money in the interior. Do you refer to the agricultural districts or to the trade centres as well?—Principally to the agricultural districts; I might say altogether. The stringency of money in the trade centres has not come directly to my knowledge, except in regard to those firms.

5897. Have you any knowledge of the conditions of the market in such centres as Delhi and Cawnpore?—No.

5898. (Mr. Le Marchant.) I understood you to say, yesterday, that the Government offered to place funds at the disposal of one of the Presidency banks to assist a local firm if the security was adequate?—Yes.

5899. So that, so far as that went, sufficiency of currency cannot have entered into it?—Quite so.

5900. When you spoke of the price of grain having risen, were you referring to all food grains, including those used for internal consumption, or merely to grains available for export?—I was referring to five sorts of food grain—the principal sorts of food grain. I caused to be prepared, before I left India, a diagram showing the movement of prices of the five principal sorts of food grain at one of our great centres—Meerut. If it be permitted, and it be considered of use, I would submit this statement in illustration of what I say. The five grains which I refer to are wheat, barley, jowari, and bajra (a sort of millet), and gram, which is a coarse sort of grain.

5901. How were funds provided during the famine?—They were provided by the Accountant-General,

but from what source they were obtained beyond our treasuries in the North-West Provinces I cannot say. Of course a very large amount of money was recovered during the famine year. There were parts of the provinces which enormously benefited from the distress—those parts which are commanded by canals and which had excellent crops, and got magnificent prices. All those could pay their revenue without any difficulty. The money which came from those portions of the province was of course available. Out of the six crores of rupees I think we recovered about four crores.

5902. In many cases there were remissions of revenue, were there not?—Yes, there were suspensions in the first place; that is to say, the Government did not make recoveries, with the object of seeing how far the provinces might recover, and whether it would be possible to recover any portion of the amount which had been temporarily suspended. Then, when the famine was over in November, the whole position was reviewed, and it was considered that it was fair to recover a certain portion of the amount which had been suspended while the rest was written off; and as I explained yesterday, the portion which it was proposed to write off was written off on condition that the landlord to whom we should remit (say) 1,000 rupees of the revenue, would remit a corresponding amount of the rent to his tenant; that would be twice the amount that we remitted, because the assessment is made theoretically upon half the assets, so that it was only fair that, if we released the landlord from his liability to us, he should pass on the remission to his tenant.

5903. Did the famine expenditure result in bringing into the province of which you were Lieutenant-Governor more currency for the time being than had usually been in circulation there?—I think so. The amount paid away in wages, the amount paid away in charitable relief, and the amount which came from the relief fund collected in England—the latter sum being about 50 lakhs of rupees—was all an addition to the currency in the province. Without the famine it would not have got into general circulation—not directly in that way.

5904. (*Mr. Hambro.*) I do not quite understand what proportion of the land tax is a fixed thing—how much falls in every year?—The assessments were made 30 years ago as a rule.

5905. Made for 30 years?—Thirty years. Some fall in earlier than others because when they were made they were not made all at once. When a settlement for one district of the North-West Provinces and Oudh had been made for 30 years, the officers went on to another district, and when they had completed that settlement it ran for 30 years; so that the settlements fall in, to a certain extent, on a roster, but not regularly. I forget the exact year, but shortly after the Mutiny, there was a settlement for Oudh. The 30 years' term is current from the date of the sanction of the settlement by Government. A certain number of officers are employed; they cannot be in several districts at the same time, consequently it follows

that one district was settled, say in 1860, and the next may be settled in 1863, and the next a year or two after that, so that they will fall in on a sort of roster. They are re-settled as each one expires, according as our officers are available for employment in the work.

5906. In fact it is perpetually going on?—It is perpetually going on, and the object now is to establish a gradual roster by which the settlements may fall in regularly, principally with the view of utilising the same establishment for performing all the work, one district after another.

5907. A very small proportion has fallen in?—The whole of Oudh has fallen in, and now the districts of the North-West Provinces are beginning to fall in.

5908. You said that the enhancements which you were enabled to make on the assessments as they fell in was in your province about 60 per cent.?—No. Throughout Oudh we expect to get an increase of 25 or 30 per cent., although in particular districts the possible increase we might demand has gone up to 100 per cent. That is due principally to the extension of cultivation in that particular district.

5909. The 25 or 30 per cent. enhancement is where there is no extension of cultivation?—No. There is always some extension of cultivation; but where you have only 25 or 30 per cent. increase, it is chiefly due to the enhancement of rents which follow the rise in prices.

5910. The rise in prices, all things being the same, in London follows the drop in exchange; I mean the rupee in India can purchase more?—No, I do not think it has followed the drop in exchange. I think the rise in prices is mostly due to construction of railways and increased population and increased demand.

5911. I think you said you had fixed it somewhat on the idea of an exchange of 1s. 4d.?—No. What I intended to convey was that the present revenue of the Government of India will enable it to carry on with a 1s. 4d. rupee.

5912. What I want to get at is, if the rupee was going to 1s. 2d., would you be able to fix a bigger land tax?—No.

5913. (*Chairman.*) In other words, revenue officers have nothing to do with the exchange value of the rupee?—Absolutely nothing. Their operations, which in the North-West Provinces follow the rents, are entirely limited to raising such an income as the people can pay, consistently with maintaining their standard of comfort, and such that you can collect with ease one year with another.

5914. There is no land revenue, I think, levied upon grass land; it is all upon land under cultivation?—It is, to a certain extent, levied upon grass land in this way. In our revenue assessment there is a source of income called *siwái*; that is the native word, which means miscellaneous income from fisheries, fruit, grass, and so on. I should say that the income from *siwái* is not, as a rule, one-half per cent. of the income from the whole estate, and in many estates there is no income from *siwái*.

The witness withdrew.

(For Mr. Lindsay's Evidence taken on this day, see *supra* page 144.)

Sir A. P.
MacDonnell,
G.C.S.I.

5 July 1898.

THIRTEENTH DAY.

Monday, July 11th, 1898.

PRESENT :

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I. (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
 SIR JOHN MUIR, Bart.
 SIR FRANCIS MOWATT, K.C.B.
 SIR DAVID BARBOUR, K.C.S.I.
 SIR CHARLES CROSTHWAITE, K.C.S.I.
 SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
 MR. EVERARD HAMBRO.
 MR. W. H. HOLLAND.
 MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. S. A.
 Ralli.

MR. STEPHEN AUGUSTUS RALLI called and examined.

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5915. (*Chairman*.) You are a member of the firm of Messrs. Ralli Brothers, 25, Finsbury Circus?—Yes.

5916. I need hardly ask you whether you have had considerable experience in the Eastern trade?—We established ourselves in 1851, and we have done since a very large business both in imports and exports. I should like, before you commence my examination, to make a short statement about the interest of our firm in this question, and the policy we have followed. When the question of the closing of the mints came to the front in 1892, our firm had to consider what were our interests in this question and the policy we were to follow. We came to the conclusion that the interests of our firm were bound up with the prosperity of India; that if the material prosperity of India continued as before, our firm was likely to do well; but if the development of the trade of India was checked by legislation, then the material prosperity of India would decrease, and we should certainly not do as well as before. We thought, and that was the opinion of the Secretary of State for India in 1886, that the decline of silver and of the exchange had been beneficial to India, although it created embarrassment to the Indian Treasury and to the Anglo-Indian communities; that in order that India should be able to pay her debt to England, we must have large exports, and that the exports should be made as large as possible; that only a low exchange can develop and expand the cultivation in India, enabling the merchants to give to the cultivators as large an amount of rupees as possible. By doing so the cultivators get rich—comparatively rich; they are enabled to extend their cultivation and to increase the exports. At the same time, as the cultivators of India form by far the large majority of the Indians, when they get on well their power of buying imports increases; so that by a low exchange the exports are benefited directly and the imports indirectly. As long as the exchange kept declining we had very large increases both in exports and in imports. The opinion, therefore, of our firm, and the policy which we in consequence followed, was and is that the low exchange is most beneficial to India, and indirectly to the Government of India, as the power of the native to pay taxes increases, and when the natives are doing well the Government must be benefited. This opinion was unanimous in our firm; but lately some members of our firm, taking into consideration only the interest of our firm, disagree with our views for the following reasons: Since 1873 we have not any rupee capital in India. All our funds have been turned into sterling, and we work on this basis. The rate of exchange is now 1s. 4d.; some members of our firm differ from my opinion on the ground that, as our turnover is reckoned in sterling, if the rate of exchange instead of being 1s. 4d. was for

argument's sake 12d., in order to make the same turnover, we would have to increase our business of exports by one-fourth. They maintain that taking into consideration the very great abilities of our competitors, who are most active, most clever, most enterprising, this is impossible; and if it was certain, that our expenses would be materially increased, because we would have to increase very materially our staff. Therefore, they say the policy of the Indian Government favours our firm. Besides the outcome of the policy of the Indian Government, that is the contraction of the currency, must result in a tight money market, and some of our competitors, who are financed by the banks, and the natives, paying high rates of interest. For instance, it is well known that for a long time past the banks have been loaning rupees to the exporters at 15 per cent. per annum interest against good security, whereas in our business we reckon the value of our money only 5 per cent. Therefore, when we are in India in a state of crisis with a very tight money market, we have a decided advantage over most of our competitors when the banks are lending rupees to the export merchants, either to be sent into the interior or to be given to the dealers from whom they buy in Calcutta, Bombay, or Karachi. When the banks get 15 per cent. the natives are obliged to pay at least 20 per cent. for accommodation. When therefore the crops are large, as this year, and the natives have to pay such high rates of interest, it is impossible for them to hold their produce for any time, and we can therefore buy from them at a much better margin than when money is easier and the rate of interest moderate. Therefore, the evident interest of our firm is that the present policy of the Government should be continued. My opinion differs entirely from the above. I am convinced that next winter, if things remain as they are, we are likely to have in India a much greater crisis than we had before; that a large number of our buyers of import goods will fail, and that the dealers from whom we buy produce in Calcutta, Bombay, and Karachi will not be able to fulfil their contracts. Therefore, the great advantage which the banks derive from the present policy of the Government, as well as the merchants who have capital and credit, is considered by me temporary, and I think we are likely to lose in the future more than we are making now.

5917. Your examination will probably be shortened by your having given us so clearly and fairly the view both of yourself and some of your partners. I will now put a few questions to you specifically, and then if, after your own examination by my colleagues, there is anything you wish to add, we shall be pleased to hear it. The first question I will put to you is this: Do you consider that at the date of

the closing of the mints in 1893 there was more silver currency in India than the trade of that time required?—No.

5918. Do you think at that time there was an accumulation of currency either in the Presidency or other banks?—I maintain that the circulation was not redundant, and I will give you my reasons. If the circulation was redundant, that would mean that over and above the requirements of the circulation there would be a surplus of rupees—that is evident. Well, at that time you could turn silver into rupees by paying a seignorage of 2 per cent.; the freight from England to India of silver was $\frac{1}{2}$ per cent., the Insurance $\frac{1}{8}$. If you wanted to send back rupees to England, you would have to pay $\frac{1}{2}$ per cent. freight and $\frac{1}{8}$ per cent. Insurance, total $3\frac{1}{4}$ per cent. Therefore, if there was a surplus of rupees over and above the wants of the circulation, the exchange would have fallen sufficiently low, not only to stop the shipments of silver to India, but to enable the banks to sell silver in London, and to ship against that silver the surplus of the circulation. This is self-evident, and we see it in Egypt, where, during the winter, a large amount of sovereigns are shipped, and during the dull season part of those shipments return to England.

5919. Before this took place would not all the excess have gone out of the banks in India?—But the banks would have done the same.

5920. I want to get at the actual fact. You say you think there was no excess in the banks?—No, I do not say that. I only say that there was no excess in the circulation, that it is utterly impossible that there should have been an amount of rupees over and above the requirements of the circulation. That is what I maintain.

5921. Now what was the discount rate at that time?—I do not remember.

5922. I suppose the effect of the closing of the mints in June 1893 would not come into operation immediately?—Perhaps not.

5923. Do you consider that the closing of the mints since June 1893 has reduced the currency below the requirement of trade?—As there were no more rupees coined after the mints were closed, and as there is always the wear and tear of the rupees in circulation, and as rupees are sent to countries which retain part of them, like Southern China and Upper Burma, I think the contraction of the currency must have been going on, but that was not felt immediately. It was felt subsequently, especially in the last two years.

5924. Do you consider that the deficiency in the currency commenced in the year 1896?—All the time, of course, there were fewer and fewer rupees, but latterly we have had proof of the scarcity of rupees.

5925. Will you now give us those proofs? We have had evidence to the effect that there has been no scarcity of rupees in the internal trade of India?—I will give you proof that that is not the fact. The proof that rupees are scarce now in India is as follows. First, if the rupees were abundant, it would be impossible for the banks to get 15 per cent. per annum from the export merchant for the loan of rupees; they would have been obliged to lend their rupees at a much lower rate of interest. In the interior and in the bazaars in Calcutta, Bombay and Karachi the natives would not have been obliged to pay, to be accommodated with rupees, 20 per cent. interest and over.

5926. Have you any knowledge as to whether the rate of interest differed in the bazaars from what it was in the banks?—The rate of interest in the bazaars was over 20 per cent.

5927. We have had evidence about a gentleman who, when he was asked 13 per cent. at the bank, was offered money at 8 per cent. in the bazaar?—The Bank of Bombay declined to advance against Government securities at 18 per cent. I have not asked our firms in India to give me proofs of the scarcity of rupees,

because we were too busy this year to attend to anything except our business; but from my friends here I have had two proofs of this scarcity. A firm in Moulmein, which is a large export port for rice, could not find a sufficient quantity of rupees (and the quantity required was only 21,000 rupees) to pay for the export duty on a cargo of rice.

5728. What was the rate of exchange then?—About the present rate of exchange. That was two months ago.

5929. Why did not they go to the Treasury and present gold for that amount?—They had to bring rupees from Calcutta, and part of those rupees which came from Calcutta were loaned to the export merchants at 20 per cent. per annum. I gave this information to a friend of mine, who spoke about it to one of Her Majesty's Ministers, who asked from me proofs of this, and I gave him the proof. In Mauritius, where the currency is a rupee currency, and where the Government is bound to give against rupee notes silver rupees, the scarcity was such that the Government of Mauritius was obliged to issue a decree, stopping the convertibility of rupees notes into silver rupees, and practically Mauritius was put on a paper basis.

5930. Is it not the fact that "The sugar crop of 1897-98 compared with that of 1896-97 showed a deficiency of 5 millions of rupees, while the cost of the provisioning of the country with rice and food stuffs is estimated at 4 million rupees, owing to the unprecedentedly high prices prevailing in the Indian market, the result of plague and famine." That is an extract from the speech of the Governor in Council?—Still, there is the fact that the Government of Mauritius was obliged to stop the convertibility of the rupee notes into silver rupees.

5931. I think we had better confine ourselves to India, as, of course, there is a material factor in the Mauritius case which does not exist in the case of India. Now, does your opinion apply equally to the slack season and the busy season?—Certainly not. Of course, in the busy season we require a great many more rupees than in the slack season.

5932. Do you consider that there was a stringency in the slack season last year?—I cannot answer that question. Of course, there was less stringency than there was before, but in the dull season we require a much smaller quantity of rupees. I may tell you, however, that in the busy seasons we ship from Calcutta, Bombay, and Karachi to the interior markets, where we have agents, a large amount of rupees, because in most of those markets in order to buy produce we must give rupees.

5933. You said in your statement you considered that the decline in the value of silver was beneficial to India?—Very much.

5934. And that large exports were necessary?—Yes.

5935. And that large exports were caused by a low exchange?—Yes.

5936. How are exports affected by a stable exchange, varying to the extent of what we have called in this inquiry the bullion points?—If the stable exchange was a low one then it would have the same effect.

5937. Let us take what it was on an average 10 years before this?—It is utterly impossible to have a stable and permanent rate of exchange in India. This was alluded to by the Chamber of Commerce of Bombay, and I wrote at the time to our firms that the man who could establish a stable and permanent rate of exchange in India without interfering with the development of the foreign and local trade would be a genius, and that a statue ought to be erected to him in every town and village of India.

5938. You said that by a low rate of exchange the cultivators would receive a large amount of rupees?—Yes.

5939. Would the wage-earning class receive higher wages?—I find that in India the wages rise very slowly. In fact, Sir Alexander Wilson, who was

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some years ago at the head of the Shellac Factories at Mirzapore of Messrs. Jardine, Skinner, & Co., of Calcutta, told me that the wages in their factories had not risen at all for 30 years. Latterly, however, with the exchange at 1s. 4d., the wages at the seaports at Calcutta, Bombay, and Karachi, owing to the plague, had risen immensely, because the natives have learnt now to strike, and to ask for much higher wages.

5940. There you are dealing with the seaports only?—Yes.

5941. Just let us confine our attention for the moment to the cultivators, the vast agricultural population of India. Their wages, I understand you to say, have not increased for the last 30 years?—That is the opinion of my informant as regard Mirzapore, but I do not agree with that opinion.

5942. You think they have risen?—That is so to a certain extent.

5943. Then the advantage of the fall of exchange is first an advantage to the merchant?—No, it is no advantage to the merchant whatever.

5944. Will you take a concrete case? Take the case of wheat, because you are great buyers of wheat. Wheat, I understand, is always sold in London at gold prices?—Always, of course; but that applies to everything.

5945. Given a certain quantity of wheat sold in London at a certain gold price, producing at a certain rate of exchange a certain number of rupees, I want to trace the advantage of the low rate as compared with the high rate to the various people—the merchant, the cultivator, and the wage-earner?—Suppose, for instance, that we enter into a wheat transaction, and that we sell in London a certain quantity of wheat; the very same evening we telegraph this sale to one of our firms and immediately we can, in Calcutta, or Bombay, or Karachi, buy the wheat, secure the exchange and the freight, and if we can make a small profit, we immediately close the transaction. Therefore, whatever may be the price of wheat or the rate of exchange the profit is the same.

5946. It is a gold profit on a gold price?—Yes. That is as regards the merchant, but it is impossible for the merchant with the great competition which there is between us to make more than a small profit. If we want to make a little larger profit, my friend opposite will take the business from us.

5947. But you having sold, we will say in London—take any rate of exchange you like—1s. 4d. or 12d.—tell me, will the number of rupees which will be received in India be increased or decreased by a fall in the rate of exchange?—Increased, certainly.

5948. Now, to whom does that extra number of rupees go?—It goes to the seller of wheat either in Calcutta or the interior, and the seller of wheat in Calcutta or in the interior can give to the cultivator of wheat, and does give to the cultivator of wheat, when the exchange is low, a larger number of rupees, because the same competition which exists between us merchants exists between the dealers in Calcutta and the interior. It is impossible for them to make a large profit.

5949. I am not speaking about the largeness or the smallness of the profit. I want to see which is the class that is advantaged by the low rate of exchange. You have practically disposed of yourselves as the great merchants; you say it does not matter to you, you buy or sell, as the case may be, at a gold price, and it does not matter to you what is the rate of exchange. When it comes to be turned into rupees, there is, as there would be in every depreciated currency, a larger number of rupees given when the currency is depreciated. Now, I want to see into whose pocket that increase goes?—To the owners of the land and the cultivators.

5950. To the cultivator. You have already said it does not go to the wage-earner?—Some part must go to the wage-earner.

5951. If you say “ought” instead of “must,” I agree; the question is, does it go?—Some part of it is likely to go, but the bulk goes to the cultivator,

enabling him to increase his cultivation and to buy import goods.

5952. Now, suppose we go a step further, and suppose the exchange is still further lowered; that is to say, suppose the bullion value of silver goes down, and instead of exchange being 12d. it is 6d., would that be a still further boon to the export trade?—That is a *reductio ad absurdum*.

5953. I know it is. I want to know where the limitation is between the *reductio ad absurdum* and what is practicable?—The reason why I think that that is utterly impossible is because it is impossible that silver should go to such a low price as to make a 6d. exchange possible.

5954. You think it is impossible that silver should go much below its present price; it has reached its bottom?—Well, I cannot say that. When I was in Australia in 1893 I made very careful enquiries of some friends of mine who were interested in the largest mine of Broken Hill. They were directors of that mine. The opinion of my friends was that the bare cost to extract silver varies between 1s. 4d. and 1s. 6d. per ounce, nearer 1s. 6d. than 1s. 4d.; that is, without taking into account any dividend at all to be given to the debenture holders, preference holders, or shareholders. Therefore, as they could not work the mine for nothing, it is evident that you could not sell the silver of that mine, which is the cheapest, except you had something between 20d. and 22d.

5955. You say that silver which is now selling at 2s. 3d. could be produced at 1s. 4d.?—No, I did not say that.

5956. You said that it could be produced at that, irrespective of profit?—But you must pay your shareholders.

5957. Now, you consider that the rise in the value of the exchange is owing to the deficiency of the currency?—Certainly.

5958. Do you consider that it is in any degree owing to the sale of fewer Council bills or to Government borrowings in sterling?—If, as was done in 1893, you cease drawing from London, you will help the exchange upwards, of course.

5959. Do you think that will at all affect the question of the redundancy of the currency?—If you cease borrowing, but you cannot cease.

5960. Do you consider that it is in any degree owing to the sale of fewer Council bills or to Government borrowing?—I say, that if instead of paying the debt, which you are obliged to pay, you borrow in England and increase your liability—increase the weight of those obligations on India—of course, you do not decrease the rupees to that amount which you borrow.

5961. Do you think at the present time there is any want of confidence in the future value of the rupee?—Certainly.

5962. Do you consider that an advantage or a disadvantage?—I consider that the policy of the Indian Government has inspired in London a want of confidence, certainly, and the proof of it is that the Indian loan of 2½ per cent. issued in 1896 was sold at 103. A similar loan to be issued to-morrow will be at about 88½. That shows conclusively that the credit of the Indian Government has very much deteriorated. On the 15th June 1896, Consols were at 113, Metropolitan 2½ per cents. at 106½, London and North Western 3 per cent. Debentures 124. On the 15th April 1898, Consols were 110; India 2½ per cents. 91½, Metropolitan 2½ per cents. 99—

5963. You say that Metropolitan 2½ per cents. in 1896 were at 106½, and in 1898 they were at 99. Is that any proof of want of confidence in Metropolitan stock?—No, but I wanted to show you that the difference in value between those various stocks is 15 points against the 2½ per cent. rupee loan; whereas with the others the difference is only 7 points. I do not want to bring forward as a proof the price of Consols, because we know that the Consol market is a forced market, not a natural market.

5964. But what you are wanting to prove is that the fall in the 2½ per cent. Indian stock, or the

difference between the price of the present loan and the loan of 1896, is a proof of want of confidence in the Indian Government?—Yes, most manifest proof.

5965. What was the fall in Indian $3\frac{1}{2}$ per cents. on the London Stock Exchange?—I have not that here.

5966. But that is the credit of the Indian Government?—The credit of the Indian Government is the $2\frac{1}{2}$ per cents., and you will see that on the 15th June 1896, the Indian $2\frac{1}{2}$ per cents. were at 103 and it is to-day $88\frac{1}{2}$, whereas the Metropolitan $2\frac{1}{2}$ per cents, which were then at $106\frac{1}{2}$ are at 99; London and North Western 3 per cent. Debentures, which were 124, are at 118. That shows you that the Indian $2\frac{1}{2}$ per cent. is lower than any other security.

5967. You consider that this is an indication of want of confidence in the policy of the Indian Government?—Yes.

5968. Do you think there has been any tendency in India to remit capital home?—Yes.

5969. What was the reason of that?—When the exchange came to $1s. 4d.$, it was thought that $1s. 4d.$ was near the maximum and the free capital there was remitted.

5970. Would that diminish what is called the available loan capital?—To that extent it does.

5971. Are you in favour of the re-opening of the mints?—Yes, and I am certain that the mints will eventually be re-opened.

5972. Will you tell us the reasons why you are in favour of re-opening the mints?—I do not wish the mints to be re-opened now, and I am entirely of the opinion which the Indian Government in their minute express upon that matter, that to re-open the mints would produce great perturbation in the trade of India. I am in favour of re-opening the mints, but by gradual process.

5973. Is this the passage of the despatch of the Indian Government to which you refer: "The result would be an intense disturbance of Indian trade and industry by the sudden rise in the rate of exchange, which, if the ratio adopted were $15\frac{1}{2}$ to one, would be a rise from about $16d.$ to about $23d.$ the rupee. Such a rise is "enough to kill our export trade for the time being." Is that the passage to which you refer?—No. That confirms my opinion that the high exchange would kill the exports; but what I mean is, if you were to re-open the mints suddenly, the exchange is likely to go to about $12\frac{1}{2}d.$, say, because silver will rise, and to go down immediately from $1s. 4d.$ to $12\frac{1}{2}d.$ would greatly disturb the trade of India.

5974. Would it not go to $11d.$ in consequence of the recent changes in Japan?—I do not think so, because silver will rise immediately, especially with the opening of China.

5975. But has not Japan now fixed the ratio at $11d.$? Could you have a rupee with open mints higher than the Japan rate?—The Japan rate is $29\frac{1}{8}$.

5976. It is equivalent to $11d.$ the rupee?—You know that the gold standard in Japan is fast breaking down.

5977. But so long as the present gold standard lasted could we maintain an exchange above $11d.$?—Certainly.

5978. We could with open mints?—With the opening of the mints to silver the Japanese would sell their silver yens for silver.

5979. Now you said that you were in favour of the opening of the mints, but by gradual process. Will you explain what you mean by a gradual process?—What I mean by a gradual process is this—The scheme which I favour now is not my scheme; it is a scheme of some friends of mine, about which they have spoken to me for the last two or three years. It is that the rate at which rupees should be given for gold by the Indian Government should be decreased from $1s. 4d.$ to $1s. 2d.$ This will facilitate exports, and if we have large crops a certain amount of gold is likely to be exported to India during the busy season. Then, as you are aware, when the exchange is high in India,

the silver price of gold declines, and there is a great inducement for the natives to turn their rupees into gold. It is for that reason that last year you have seen such a large exportation of gold to India. When the exchange is low the gold price in rupees gets high, and there is an inducement to the native to sell.

5980. You would propose the continuance of the present system, but simply altering the ratio from $1s. 4d.$ to $1s. 2d.$?—Yes, for this reason. I think that during the busy season it is very likely that a certain amount of gold will be sent to India to be exchanged for rupees.

5981. In the $1s. 2d.$ we should still have an artificial value of the rupee?—Certainly; but the $1s. 2d.$ would be only temporary.

5982. When would the temporary effect cease?—We should try the $1s. 2d.$ as we have tried the $1s. 4d.$ $1s. 4d.$ has not brought gold. Let us try whether $1s. 2d.$ will bring gold.

5983. Then the aim would be to bring in gold?—To bring in gold to India. Then at the time of the slack season the gold price of the rupees would rise, and the Government would be able to sell the gold at a profit and take back the rupees. Then part of the gold sent is likely to be exported.

5984. Are you in favour of establishing an effective gold standard for India?—If it was practicable.

5985. I want your opinion. Are you in favour of a gold standard for India irrespective of the rate of exchange?—I cannot disconnect the exchange from the gold standard. I think if you have a gold standard in India, and you have a sufficiently low rate of exchange of gold into rupees, and rupees into gold, in order to develop and extend the trade of India, certainly I am not against a gold standard.

5986. Would you have a gold currency?—Oh, no; the gold currency is not suitable for India, as we have seen from the letter that your secretary has received from the Chamber of Commerce of Calcutta.

5987. Personally, your opinion is that an effective gold standard could be established without a gold currency?—No, I think that any gold standard will break down.

5988. Then you do not think a gold standard is possible?—Any gold standard will break down, and the reserve of gold, either in India or here, will disappear.

5989. Do you think that a rise of exchange has any effect upon the cost of production?—The cost of production in India, certainly. Take the case, for instance, of those who have tea gardens, those who are manufacturing jute goods; if you have the exchange at $1s. 4d.$ instead of $1s. 2d.$ or $12d.$, as a matter of course the cost of their production will be higher.

5990. Do you consider that the closing of the mints places the Indian and Ceylon produce at a great disadvantage in competition with similar produce from China and Japan?—Undoubtedly, but not immediately.

5991. Do you think at present the tea trade is suffering from the high rate of exchange?—Those who are in the tea trade, who have gardens both in India and Ceylon, tell me so, certainly.

5992. I am asking your opinion?—I have not been into tea gardens; I wish I had been, because they have paid very well in late years, but now they do not pay so well.

5993. I do not know whether you have seen a prospectus that has come out this morning. There is a very large set of tea gardens for sale, and it is stated that the output of the estates for the season of 1896–97 was 1,985,680 lbs.; in 1897–98 the output was 2,045,502 lbs.; and the estimate of crops for 1898–99 is 2,210,000 lbs. It is also stated, as to the principal estate which was formed in June 1896, which was after the closing of the mints and after the high rate of exchange, the first year's operations were sufficient to allow of a dividend of 12 per cent. on the ordinary shares, and the latest reports show a large increase of profits. Now if that prospectus is correct,

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about which I know nothing, it would imply that there is a very good prospect?—There was.

5994. But this is money asked to-day in London for the property?—There was, but now there is not much profit. I wanted to tell you what is the reason of the great development of the tea trade during late years. They have been favoured by a low exchange, but that is not the principal reason. It is because tea is manufactured in India and Ceylon by scientific process. The Chinaman, who produces his tea as it was produced 4,000 years ago, has no chance whatever to compete with India and Ceylon. But immediately you have the central provinces of China under English control with English administrators, and there is safety for money and property, and the exactions of the mandarins cease, if China is on the 10*d.* basis, the tea industry in India will certainly be killed, and it is for that very reason that a great many of the tea planters of India instead of cultivating their gardens on their own account are turning them into companies.

5995. And they are putting their shares on the London market to-day with the rupee at 1*s.* 4*d.*, promising good dividends?—I do not know what they promise.

5996. Now with reference to the remittances to India for the gold debt in England, have you formed any opinion about the effect of a low exchange on that?—Certainly.

5997. You know the figures as to the increase of cost. I may just remind you that the cost of exchange has risen; its highest point was reached in 1895 when it was Rx. 15,000,000; in 1895-96 it fell to Rx. 14,000,000; and in 1896-97 it fell to Rx. 12,000,000. Now, a low rate of exchange means a large increase in the amount of exports for the purpose of paying that sum in gold?—Yes.

5998. Is there any real loss to the people of India?—It is a great benefit to the people of India.

5999. They are exporting so much more?—That is confirmed entirely by the minute of the Indian Government of 1886.

6000. I want your opinion and not that of the Indian Government?—My opinion is exactly like the opinion of the Indian Government. They said: "Whilst impressing upon the Secretary of State the very serious inconveniences suffered by the financial department of the Government and by the Anglo-Indian official community owing to the fall in the gold price of the rupee, the Government of India freely admitted that, so far from this fall having proved injurious to the people of India, the Indian cultivator appeared to have actually gained." I do not know who wrote that despatch, but it gives sound principles of currency, and I am very sorry that the Indian Government has departed from them.

6001. Do you think it is possible to have any increased taxation in India? I see you have suggested in your paper an import duty. I want you to explain your views upon that head?—When I gave my evidence in 1892 I said this: The Finance Minister of a progressive country like India, the material prosperity of which has year by year increased, ought not to find difficulties in increasing the taxation, either increasing the existing taxation, or finding some new taxation; but if that was not possible, then I said that if a low exchange, according to what the Indian Government has said, increases the prosperity of a country, the country will be enabled to do what other countries have done; that is, to put duties on imports and duties on certain articles of export (I did not say that in 1892) like jute and shellac, which are produced only in India. What I want to point out to you is this: The Indian Government, in 1893, instead of closing the mints—

6002. What we have to deal with is what the Government has done, not what might have been done. You think it is possible to increase the taxation of India—either to increase the existing taxation, or to put an import duty on goods imported into India?—Yes.

6003. Would you still hold that opinion if Indian authorities of the greatest experience were to tell you that they considered that any such step would produce a great political disturbance, which might endanger British rule in India?—I do not believe in political disturbance owing to that. I believe there will be political disturbance if the present system of the Indian Government continues.

6004. I want you to answer me on this very point, because this is a practical question. What taxes would you propose to increase in India?—I cannot give you any opinion about taxes in India, because I am not competent to do so; but what I say is, that if the present taxes cannot be increased, or new taxes levied, I would raise the import duties, with corresponding excise duties.

6005. Who pays import duties?—The Indian people. They can afford to pay it if they are prosperous. They will not afford to pay the present taxes if they are not prosperous.

6006. Your opinion is that the mints would have eventually to be re-opened and the import duties materially increased, with equivalent excise duties on cotton goods manufactured in India?—Yes. When I say materially increased, I mean increased to the requirements of the Government.

6007. The requirements of the Government would be about 12 crores of rupees, in round figures?—My friend Mr. Brown, of Messrs. Kilburn, Brown & Co., has published a pamphlet lately, and he has proved that you can meet the case by increased import duties.

6008. Do you know what the import duties produce at present?—No, I have not gone into the figures.

6009. Are you aware that they might have to be not only doubled but trebled?—Well, the import duties are 5 per cent.; why should you not make them 15 per cent.? The Australian Government have put on import duties of 30 or 35 per cent., because they are autonomous and able to do what they like.

6010. You would propose an export duty on articles produced in India?—Yes, if it is wanted.

6011. What do you think the effect on the jute trade would be if you levied an export duty on the raw material?—If you put an import duty of 10 per cent., and an excise duty of the same amount, there will be no effect.

6012. (*Lord Balfour of Burleigh.*) I understand that you have expressed the opinion that if the mints were to be opened at the present time, the exchange would go to 12½*d.*?—I think so.

6013. What are the considerations which lead you to prophesy 12½*d.* under those circumstances?—I have asked the opinion of very competent men, and that is their opinion—that silver will rise to about 12½*d.*

6014. Could you give me the names of the competent men on whose authority you say that?—For instance, I have discussed the matter with my friend Mr. Brown, of Kilburn, Brown & Co., and Mr. Williamson, the partner of Sir John Muir. Both those gentlemen confirm the opinion that if the mints were opened after being shut for so many years, there would be such a demand for silver that we should have exchange at about 12½*d.*

6015. Can you refer to anybody else besides those gentlemen?—For the last five years we have been speaking almost every week about this point.

6016. But can you give me the names of anybody?—I cannot give you the names.

6017. Now, do you know what the considerations are which guide their minds in fixing 12½*d.*? What are the reasons which these other gentlemen with whom you have been conferring have for fixing 12½*d.*?—Before the mints were closed, if I remember rightly, the price was either 32 or 36; and we take into consideration also the greater demand which is likely to be made by the opening of China.

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6018. You are all unanimous that it is to be 12½d. ?—Oh no : it is impossible to say whether it will be 13d., or 12d., or 12½d.

6019. Then there is a doubt about it ?—There is a doubt about it, of course.

6020. You may say a very great doubt about it ?—I should not say a very great doubt, but certainly a doubt. There is always a doubt on a thing which has not taken place.

6021. But you think it is sufficiently certain in your mind to make it a safe thing for the Government of India to rely, that it would be sure not to go below 12½d. ?—If the mints were opened, do you mean ?

6022. Yes ?—I do not say that it might not go to 12d. or 13d.

6023. Or 11d. ?—I could not say.

6024. Or 10d. ?—The opinion in the City is that it will go to about 12½d. ; that is all I can say.

6025. I do not understand you to advise the immediate re-opening of the mints ?—No, what I advise would be 1s. 2d. I am a prudent man of business, and I do not want the Indian Government to do anything which is rash.

6026. I want to know why you select 1s. 2d. as the figure instead of 1s. 4d. ?—Because we see that at 1s. 4d. the export is checked ; the expansion of cultivation is checked.

6027. What article has been checked by the rate of 1s. 4d. ?—Two months back our firm wrote to us about linseed. At the present price of linseed we cannot buy freely, because it does not pay the merchant to sell it—that is, for the time being. I am a fair man and I want to take both sides.

6028. I want you to convince me if you can, and I should like to know from you the reasons on which you and your friends fix 1s. 2d. ?—The reason is plain. We have seen that 1s. 4d. has brought about a crisis in India.

6029. Has it ?—Certainly ; we have been in a state of crisis now for months past.

6030. That, of course, is a matter of opinion ?—There cannot be two opinions about it.

6031. I am not going to argue the question. You gave me as one of the articles the trade in which had been injuriously affected by the 1s. 4d. rate—linseed ?—Oh, no ; I did not say that.

6032. I asked you to refer me to an article, the export of which has been injuriously affected by the 1s. 4d. rate ?—Last year exports have been very much lower than the year previously.

6033. Will you refer me to one article ?—You can refer to all of them. You have only to take the exports of last year. It is infinitely reduced—from 114 crores in 1895–6 to 97 crores last year. But I must tell you against that (because, as I said, I am a fair man), one of the reasons why the exports last year were reduced, was because the crops of wheat and seeds, in consequence of the drought, were small.

6034. Surely you can name me some article the export of which has been injuriously affected by the 1s. 4d. rate ?—Take wheat. In 1891 we had 221,000 tons exported ; in 1892, 176,000 tons ; in 1893, 53,000 tons ; in 1894, 12,000 tons ; in 1895, 50,000 tons ; in 1896, 3,500 tons ; in 1897, nil. That is from Calcutta.

6035. The price of wheat was going down in Europe all that time ?—I will tell you all about that.

6036. But it was, was it not ?—Yes, it was so.

6037. Then I want to know how you fix upon the 1s. 4d. rate as the cause of the falling-off of exports, and not the depreciation of prices in Europe ?—For this very simple reason. The higher the exchange the higher is the cost of export goods, and the less our power of competing with other exporting countries.

6038. But if the gold price in the country to which you are sending it is less, is that or is it not (I am asking your opinion) a factor which would in all probability lessen the export ?—Yes, but I repeat my answer, which is, the higher the exchange the greater

is the cost of every article, and the lesser our ability to compete with other exporting countries.

6039. But if the price of wheat had remained the same in the countries to which you were sending it, it is obvious that that consideration which you put before us would have had a less effect ?—Certainly. In 1891 we had the high rate of exchange—

6040. What was the rate in 1891 ?—I do not remember, but it was a high rate. I had a great deal of talk with my late friend, Mr. Bertram Currie, because he was on the Council of India, and he was at the Bank of England every Wednesday, and we exchanged opinions. He pointed this out to me : “ I see that, in 1891, you had a large export of wheat and linseed, “ although the exchange was high.” I said, “ Yes, because we had in Europe short crops, and the price of “ wheat went up ” (as it has gone this year, and we have a larger export than ever from India). It is for that reason when you have a really high price in Europe, whatever the rate of exchange, the goods will be exported in large quantities if the crops are large in India.

6041. Now give me another article which has been injuriously affected ?—I will take linseed. On a series of years we had exports of 276,000 tons from Calcutta ; the average was 250,000 tons. Then in 1896 it was 154,000 tons, and last year 141,000 tons. That is from Calcutta. From Bombay it is worse.

6042. (Chairman.) Do you take it that as a whole the export trade of India has been seriously injured by the rise in the rate of exchange ? I am not asking you with reference to famines or plagues, but you gave us your opinion that the export trade of India had been seriously injured by a high rate of exchange ?—I say yes, because if we had had the open mints the cultivation would have been very much increased, and we would have had very much larger exports than we had during those years.

6043. That is not exactly an answer to my question. You say it might have been ?—It would have been.

6044. But taking what it was as compared with the low rate of exchange in the past and the high rate of exchange in the past, because you must remember that the figures you quoted just now were for years when there was a high rate of exchange, which you say is not beneficial to India ; the rate was upwards of 1s. 6d. Now taking that 1s. 6d. period and comparing it with the 12½d. period, and then coming back to the 1s. 4d. period, do you say that in your opinion the export trade of India has been seriously injured by the high rate of exchange—that is by the 1s. 4d. rate of exchange ?—You must remember that in 1894–5 we had a low rate of exchange ; then in 1896–7 we had the 1s. 4d. rate. But what I maintain, and nothing will shake my conviction upon that, is that the high rate of exchange checks the development of trade in India and the cultivation in India.

6045. (Lord Balfour of Burleigh.) I understand you to suggest that we should go to 1s. 2d. now ?—Yes.

6046. Why do you fix on 1s. 2d. ?—To try 1s. 2d.

6047. Do you think that a series of more or less rule-of-thumb arbitrary experiments would be a wise course for the Government of India to take ?—What I say is this—I think that if you opened the mints immediately, we shall have a great commotion in India, and several interests may be affected, and as I do not want the India Government to make any more gold loans on this side to increase the debt of India to England by experiments which I am sure will fail, what I say is, let us make an experiment which will not cost any money to the Indian Government.

6048. If it is avowedly announced that this is another experiment, do you not think that the mere fact of that statement being made will tend to prolong and increase the feeling of uncertainty which almost every witness tells us is the worst thing that could happen to India ?—Yes, but I think the 1s. 2d. will help the export trade and the import trade. You speak about the feeling of uncertainty, and you say on all sides that if you have a fixed exchange there

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will be a great flow of capital from England into India. That, I think, is quite an erroneous idea. There will be a great flow of capital from England to India if there are in India good investments. If there are good investments, the capital will go there even with a fluctuating rate of exchange, but if there are not good investments in India or if the investments in China yield more money, then, whatever is the rate of exchange, that will not make any difference.

6049. You will not be surprised to hear that I very humbly and respectfully agree with that last answer that you have given, but I should like to ask you this—whether the mere fact of the uncertainty of exchange is not, in your opinion, a great hindrance to capital going to India, irrespective of all other considerations?—I am very glad that you put to me that question, because I am able to answer it by what we have done ourselves. We have several hundred thousands of pounds in India in permanent investments. When we make them we never take into consideration the fluctuations of exchange or the rate of exchange—never.

6050. If they are really permanent investments, that might be so, but there are other investments which may not be so permanent. Do not you think that when a man has a sum of money to invest he looks at two things—first, the return that he will get for his investment; and, secondly, the certainty, or the reverse, of his being able to get out without loss of his capital?—But what kind of temporary investment can you suggest in India?

6051. Excuse me, I am not in the witness box and you are. If you say that you do not care to express an opinion, I will not press you?—I say the investments in India are these:—You invest money, for instance, in jute presses and jute mills, in cotton presses and cotton mills, in tea gardens, and so on. All that is permanent investment. I do not know any investment that you can make in India which will be temporary. The only investment that I can see of a temporary nature in India is, for instance, when the value of money is dearer in India than here, to loan it in India, and then to bring it back. That is the only temporary investment.

6052. I want to know whether now, having given that explanation, you are prepared to agree or disagree with the suggestion which was conveyed in the question I have put to you. I ask you whether the mere fact of the uncertainty of exchange is not, in your opinion, a great hindrance to capital going to India irrespective of all other considerations?—No. The proof that the fixed exchange has not for its consequence a flow of capital is this: For instance, you have fixed exchange between England and Ireland; still English capital does not flow to Ireland, because it does not find any remunerative employment there, whereas, even with the fluctuations of exchange, the amount of money which has gone to India for permanent investment has been very large. That shows to you that a fixed exchange does not make money flow from one country to the other. But what does make money flow from one country to the other is when there are profitable investments for a great many years, and those investments which we have made in India when the exchange was at 2s. have given us much greater profits than when the exchange was much lower.

6053. In the earlier part of your examination by the Chairman, he asked you a question as to your opinion whether or not there was a scarcity of currency in India, and you answered that, in your opinion, there was?—Yes, and I have given proofs of it.

6054. You said you had not asked your correspondents out there for any proof, because you had been too busy; but, at the same time, you went on to give two proofs which satisfied you that there was a scarcity?—Yes, and I have other proofs.

6055. I heard the first proof you gave, but I did not hear the second?—The second proof is that, at Mauritius there was such a scarcity of rupees that the Government of Mauritius was obliged to decree the inconvertibility of rupee notes into silver rupees.

6056. Have you satisfied yourself that there was nothing in the local circumstances of Mauritius which would account for that apart from any question connected with India?—Messrs. Blyth, Greene, Jourdain & Co., who are one of our leading firms, have written me this letter:—“We have the pleasure to reply to the inquiry contained in your favour of yesterday, and to inform you that about two months ago, there was such a scarcity of rupees in Mauritius that the Government of that colony found it necessary to decree the inconvertibility of their note issue in order to arrest the drain of specie to India. During the past few months money has been exceedingly dear in Mauritius—the ordinary rate of interest having reached the unprecedentedly high rate of 15 per cent., and we have no doubt that this state of things may be attributed, in a great measure, to the dearth of money in India. The relations between the two countries are very intimate, for they have the same coinage; the population of the Mauritius is mainly Indian; and the Island draws from India nearly all its supply of rice, wheat, and other grain, whilst about half of the sugar produced on the island is exported to India.”

6057. You made no further inquiry in consequence of that?—No, that is a letter from the leading firm in Mauritius.

6058. Was that in answer to a question put to them by you?—Yes. I heard it at the City Club from several friends, and I wanted to make sure that it was the case. The letter is dated 7th May. I must tell you that the Agent-General of Mauritius took steps to send rupees to Mauritius from Calcutta and from Bombay. Whether the decree is in force now or not, I do not know; probably it is not, but the question is whether the rupees will not be again exported.

6059. When you were in Australia did you go very closely into the cost of the production of silver?—In Australia I have several friends, and some of them directors of the Broken Hill. You could not have better information than from such people.

6060. But did you personally go closely into it so as to satisfy yourself that the price you named was the lowest price at which silver could be got out of the earth?—The directors themselves told me so. I had information from the directors; I could not have better information.

6061. I do not want to depend on the directors; I want to know whether Mr. Ralli, with his business capacity, went into it for himself?—No, I relied entirely on my friends' information.

6062. Do not you think that, in the event of its being necessary, economies might be introduced which would lead them to get silver at a lower price?—That I do not know. That was in 1893. Since then I have no information.

6063. If my suggestion is right, of course, it would upset the calculation that you made, would it not?—I do not know. In 1893 that was the state of things, and we see that the production of silver has not increased during late years.

6064. No, because the price has gone down a good deal?—While I am upon silver, there is one thing I must say, and that is this: I have the opinion of Mr. Pixley, one of the leading brokers. I asked him what would be the effect of the Indian Government's proposals if 10 crores of silver were melted and sold in India. He said: I have thought about that, and my opinion is that silver will go to 20*d*. He told me that was undoubtedly so: I said “I asked you because Sir Samuel Montagu's opinion, as I am informed, is that it will go to 22*d*., and I do not agree with Sir Samuel Montagu. Suppose silver went to 20*d*., you would depreciate to that extent all the silver and all the silver ornaments in the possession of the Indians, which amount to a great many millions sterling.”

6065. I see, in a speech which is reported in the Journal of the Society of Arts, in the middle of May, you committed yourself to the statement that the

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general opinion in India was that there was a good deal of illicit coinage?—Yes.

6066. Upon what did you found that opinion?—I must tell you again that I have never written to our firm about that, because I do not want their time to be given to anything else but our business; but I have in London taken care to ascertain that. The gentleman who first spoke to me about the illicit coinage was Mr. Brown, of Kilburn, Brown & Co. They got a great many rupees in Calcutta, and their Calcutta firm said: "Our cashier has asked us to do whatever we can to reduce the amount of rupees which would be given to our firm, because—"

6067. I do not want to take up the time of the Committee or your time by going into detail; but you have committed yourself to the opinion that there is a great deal of illicit coinage. Will you just tell me upon what that opinion is founded?—I tell you upon what it is founded. It has been ascertained by Messrs. Kilburn, Brown & Co. that there is about $\frac{1}{2}$ per cent. in Calcutta.

6068. How was it so ascertained?—Because they receive a good many rupees; they try to take out the illicit rupees, and they find it is about that percentage. You know that in Bombay, lately, a gang of coiners have been found, and they had already coined 60,000 rupees. Another gang has been found in Lahore, and they had an extensive ramification in the Punjab.

6069. (Chairman.) Personally you know nothing at all about it except what people have told you?—No, I have read of it in the Indian newspapers.

6070. We happen to have the official statement from the Financial Department in India, and that we should put, and I suppose you would put, higher than any mere gossip about the question?—This is not gossip that I am giving you.

6071. But we have the official statement that there is no excess of illicit coinage?—But there is illicit coinage.

6072. Your answer to Lord Balfour is simply that you have no personal knowledge, but you only speak to what people have told you?—At the Calcutta Mint they cannot detect the illicit rupees from other rupees, they are obliged to have a magnifying glass to do it.

6073. (Sir F. Mowatt.) You gave us two pieces of evidence to show that there was a scarcity of silver currency in India at present. One of those struck me very much. You gave an instance of a Moulmein firm who had to pay a large sum of money for their export duties?—Not a very large sum: it was 21,000 rupees.

6074. In order to do that they had to borrow rupees and to pay 20 per cent. interest in order to get the money to pay their duties?—They received the rupees from Calcutta and by the same steamer other rupees came, and those rupees were loaned to the export merchant at 20 per cent. per annum.

6075. The export duty could have been paid in gold?—But where would you find the gold?

6076. They would not have to pay 20 per cent. for gold, would they?—In Bombay, at the time of the crisis, loans were made on gold at 2 per cent. per month.

6077. Now, you mentioned Mauritius; you said that so short was the supply of silver there that the Government had been obliged to cease giving silver against rupee notes?—Yes.

6078. Do you know of any single case in which the Government has not, as a fact, produced silver when a note has been presented?—I have read you Messrs. Blyth's letter.

6079. But do you know of a single case in which the Government have not, as a fact, been ready to produce silver against a note?—Certainly, that is the fact that I have given you.

6080. The ordinance was, I understand, a protective measure against certain possibilities; but, as a fact, has the Government of Mauritius ever refused silver for a single note?—If they had been able to do that they would not have issued that decree.

6081. I want to press you for an answer to that question. Have you any knowledge that the Govern-

ment have, on any single occasion, been unable, or have refused, to give silver against a silver note?—My answer is, that if they could give silver against silver notes they would not have issued the decree stopping the convertibility of silver.

6082. I am afraid I must ask you for an answer, yes or no. Do you know of your own knowledge that the Government of Mauritius has on any single occasion failed to produce silver for a silver note?—I was not in Mauritius.

6083. You do not know?—No, I say I was not in Mauritius.

6084. You cannot answer, yes or no?—I can answer yes from that letter. I have read you the letter of an eminent firm in Mauritius, that is quite sufficient for all purposes.

6085. It is quite sufficient in so far as it proves that the ordinance was issued, but you put it forward as a proof that silver was so short that the Mauritius Government could not provide silver to meet its silver notes?—That is what Messrs. Blyth stated.

6086. But can you, of your own knowledge, give us any instance in which the Government has ever refused?—I was not in Mauritius.

6087. Now, in answer to Sir Henry Fowler, you instanced a wheat transaction as explaining that the rate of exchange does not enable the merchant to profit; that the profit goes into somebody else's hands and not into the hands of the merchant?—The merchant has his profit.

6088. But the rate of exchange does not affect his profit?—We have, or we try to have, a small commission, that is all.

6089. But with that exception the rate of exchange does not affect the merchant?—It affects him only in one way. As I said in my statement, when there is a crisis and money is very dear, then you can transact business at a greater margin than when money is easy.

6090. In giving us the instance of the wheat transaction, it is now the case that very frequently the wheat is bought before the crop is actually out of the ground?—Certainly, we make contracts with the sellers.

6091. That is at a fixed price?—Oh, no.

6092. How is the price settled?—Our firm telegraphs us, say, from Bombay the price at which we can buy wheat for next year, for April and May delivery. What does that mean? That among the natives there are some sellers whom we consider responsible and who will make contracts with us. If we can find responsible buyers here and, the market is quiet and tending downwards, then we sell, and we telegraph out to our firm there: "We have sold 1,000 tons of wheat." Then they go to the dealer and make the contract. But the prices vary according to the prices at which we can sell.

6093. But if you buy in advance, you offer a certain price against what time the wheat is delivered?—Yes.

6094. If the exchange falls in the meanwhile, that surely is an additional advantage to the merchant, is it not?—No. We do our business in this way: We do not want to be liable to fluctuations in exchange. We want to do a legitimate commercial business. Then immediately in Calcutta we buy the wheat, say, now for April and May delivery, we secure the freight, then we should go to Mr. Campbell, or his branch in Calcutta, and say, "At what price will you buy exchange for April and May?" He says, "At such and such a price," and if we can find a buyer, and we can secure our freight, we do the business.

6095. But if the exchange falls between the time at which you agree to pay a certain sum in rupees and the time when you have to pay it, is not that a profit to you?—No, because we never go for that. I think the merchant who did what you state would go to the Bankruptcy Court.

6096. (Chairman.) You fix the rate of exchange when you fix the price of the contract?—Immediately.

6097. With one of the exchange banks?—Yes.

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6098. In fact they insure you to a certain extent?—We do a large business, for instance, in imports to India. Suppose we sell a thousand packages of Manchester goods to a firm in Calcutta, or Bombay, or Karachi, when we buy the goods our firms there sell the goods in rupees and sell the exchange at the same time, so as to complete the transaction. So that we do not care whether the exchange goes up or down. If we were to leave the exchange open, it would be utterly impossible for us to do business.

6099. (*Sir F. Mowatt.*) You said, I think, that the possibility of a rise or fall in the value of the rupee did not really affect capital being sent out to India for investment?—Not for permanent investment.

6100. But you said a little before that that many persons were now remitting their money home to England because in their opinion the value of the rupee could not be maintained at 1s. 4d.?—Yes.

6101. That capital, therefore, was not available in India, or was tempted away from India, where it might otherwise have been invested?—Certainly. Those people, for instance, who lend money to banks for fixed periods when they can take the money from the bank, if the exchange is 1s. 4d., as the future of exchange is uncertain, they remit it to England. That has been done to a certain extent, but it is only for capital in temporary investment.

6102. Just let me be sure that I understand this. I think you said in your last answer to Lord Balfour, speaking of your own investments in India, that your own investments in India earned a higher rate of profit although the rate of exchange had been higher?—Yes. As I explained to you when the exchange was 2s. we invested a good deal of money in India. That money in India did not give us 5 per cent.; therefore, we put to reserve every year a good amount in order to extinguish any loss of exchange. So that, whatever is the rate of exchange since, we do not care.

6103. (*Chairman.*) You have a good insurance fund against any loss?—Yes.

6104. (*Sir J. Muir.*) Perhaps, Mr. Ralli, I know more of your firm than some of our friends who are present, and as I regard you as, perhaps, one of the most important witnesses that we could have before this Committee, I would like to bring out the position of your house a little in detail?—Do not you think that all the gentlemen here know as much as they could wish to know about our firm?

6105. But the evidence is to be published, and it will be looked at closely all over the country, and I should like it made clear what the position of your firm is. I understand that you have branches in Calcutta, Bombay, and Karachi, and in addition to that you have a very large number of agencies established all over India, in the Central Provinces, in the districts where wheat and seeds are grown, and the districts where jute is grown?—Yes.

6106. Will you tell us about how many of those agencies and sub-agencies you have?—Our Calcutta firm has six agencies and 54 sub-agencies; our Bombay firm has 16 agencies and 66 sub-agencies; our Karachi firm has five agencies and 21 sub-agencies. Giving a total of agencies and sub-agencies of 168.

6107. And I am right in saying that you are by far the largest exporters from India?—I think we are.

6108. And in recent years the largest importers of piece goods from Lancashire and elsewhere, only one firm approaching you?—Yes, Grahams and ourselves are the two largest importers; and what is very curious is this, that Grahams are only importers; they are not exporters, and notwithstanding that, they are for low exchanges and open mints.

6109. You very clearly brought out the position of a house in India in the Lancashire and Glasgow business, which is the business of Graham & Co.?—Yes, and yours also.

6110. The position is, that we do not require to enter into any transaction in piece goods or yarn unless we choose. We know the price that we can get in Calcutta; we know the cost in Manchester or Glasgow. Against that we have fixed insurance and freight, and the only open element is exchange which we can fix with the Chartered Bank or any of the other banks, so that we need not go into the transaction unless we choose. Lancashire and Glasgow are in this position as far as exports are concerned, that they need not enter into the transaction unless it suits their convenience and shows a prospect of profit?—Yes; and another thing is, that the idea that fluctuations of exchange have interfered since 1893 with commercial business is preposterous and quite erroneous, because when we make a transaction, then we fix immediately the exchange. There would not be any Indian firm in existence now if they had not done so; they would all have failed.

6111. That is so with regard to imports to Bombay, Calcutta, and Karachi. Then with regard to exports, you have the reverse position. You know the price in London, or wherever you may be going to sell, and you know the price at which you can buy; so that the exporter in Bombay, Calcutta, or Karachi need not enter into the transaction unless he chooses?—Certainly.

6112. Then we come to the class of people who are very largely interested in India, and who were referred to by the Chairman in his questions to you, namely, the tea planters, coffee planters, indigo planters, and others?—And the producers of jute goods.

6113. Precisely. I was sorry to hear that you were not interested in tea?—I am not. You know more about tea than any man in London.

6114. I want to bring to your notice the position of the men who have invested according to the Indian Tea Association 20 millions, and according to the Ceylon Tea Association 15 millions, that is 35 millions of money. That money is sunk in India. Some of these companies have bought large tracts of suitable land for opening out tea upon, in the expectation that their trade would not be interfered with in any arbitrary manner, that is to say, when they secured that land they had no anticipation that the Indian Government were to come down upon them with a 1s. 4d. exchange. You are an outsider; you are not interested in tea, I understand?—No.

6115. How does it occur to you that the difference between the rate of 1s. 2d., which you prefer, and the 1s. 4d. rate, will affect those trades?—It will help you.

6116. In what way?—Because the rupees which you pay, instead of costing you 1s. 4d., will cost you 1s. 2d.

6117. We gain 2d., in so far as the gain upon our wages is concerned, by the difference between 1s. 2d. and 1s. 4d.?—Yes; but what I said is this. I am certain that eventually the Indian Government will re-open the mints; but I do not wish that the Government of India should re-open the mints immediately, because I am afraid of a crisis in India, when all of us, yourself included, will lose a good deal of money. It is for that reason that I prefer to go gradually. Try 1s. 2d. first.

6118. Now, we have had before us first of all the scheme of the Government of India, and we have two or three other schemes which I need not go into in great detail. I know you have given a great deal of consideration to this subject, and I should like you to suggest to me briefly what you would now indicate as what you would prefer—either Mr. Lindsay's scheme or that of the Government of India?—I think that the best scheme of all, if practicable, will be a gold standard with a sufficient fund in India to exchange rupees into sovereigns, and sovereigns into rupees, at a rate of exchange sufficiently low to develop largely the export trade. But now the question is, What is the amount of gold sufficient to maintain that gold currency in India, and to maintain the convertibility

of rupees into sovereigns and sovereigns into rupees. I was very intimate with the late Mr. Currie and with Lord Hillingdon. Lord Hillingdon had very great experience in banking, and we spoke very often about the gold standard, the more so as he was the brother-in-law of Lord George Hamilton, and I was very anxious that Lord George Hamilton should have City views about the amount of gold wanted to insure the success of the gold standard with convertibility. You are aware that the idea of Lord Hillingdon, as it was published after his death, was that the amount should be 75,000,000*l.* sterling. Well, that is an enormous amount, but there is another great authority, Sir Robert Giffen, and the amount stated by him is 50,000,000*l.* In fact, the amount required according to various opinions is between 15,000,000*l.* and 100,000,000*l.* Now, I say it is no use our discussing a gold standard with a reserve sufficient to insure the convertibility of rupees into sovereigns and sovereigns into rupees, because it is utterly impossible to get such a reserve as 50,000,000*l.*, or anything like that. Therefore, we waste our time in discussing a gold standard. Now, I come to all the other schemes, and I must tell you that I think that every man connected with India, and who is not in favour of the re-opening of the mints, has a gold scheme of his own. They have all gold standards on their brains. I think that all gold schemes which are not based on the convertibility of rupees into gold and gold into rupees, however ingenious they are—and Mr. Lindsay's scheme is very ingenious—are bound to fail, because they do not rest on an automatic system of currency; for instance, take Mr. Lindsay's scheme. He proposes to have in London 10 millions and to allow us to draw from India against that 10 millions at 1*s.* 3½*d.* Well, what would be the result? We know very well that when the rate of exchange is high the silver price of gold in India is low, and the result is that there is a great inducement for the wealthy natives, who possess very large amount of rupees, to exchange their rupees into sovereigns, and, as a matter of fact, the importation of gold into India has been unprecedented last year. Therefore, what I say is that in no time you will see this reserve drawn from England to India, and the 10,000,000*l.* will disappear. It will also disappear if we have not large crops and large exports. The sellers of Manchester goods will want to remit, and, as in that case the exchange will be low, instead of remitting or fixing our exchange at 1*s.* 3½*d.*, we should go to the Government and take their bills on London. Therefore, what I say is, it is not 10,000,000*l.* which is wanted by Mr. Lindsay, but four or five times 10,000,000*l.* Now, where is the Indian Government to get that money? As regards the scheme of the Indian Government, of course, we are all aware that no man in the City of London will advocate that that scheme should be carried, because, as I said before, if we have to sell in India *Rx.* 6,000,000 of silver the silver is bound to go to 20*d.*; nothing will stop silver from going to 20*d.*, and you depreciate by the difference between the present price of silver and 20*d.* the value of the millions of silver ornaments in the possession of the Indians, and it will be a great grievance to the Indians. I have an Indian friend in London who is doing very large business. I had heard that the opinion of some officials is that the traders of India are not dissatisfied with the closing of the mints, and I asked the opinion of this Indian gentleman, who is a man in a very large way of business. I have no doubt he is well known to you. He told me, "We consider that the closing of the mints is much more serious to us Indians than the food famine, than the earthquakes, than the plague, and the war on the frontier. You understand that we Indians, especially under the present legislation, cannot speak; we cannot write, therefore it is impossible that the officials, should know our feeling and our opinions, but let me assure you that there is very great dissatisfaction in India." Now you, Sir John, have interests in India, and

you are aware that we have large interests in India, and we are much afraid of this state of things, because there is no doubt that there is great dissatisfaction in India.

6119. Have you any other reason to advance why you consider the Government of India's scheme an unwise one?—There is that preposterous idea of melting rupees. What will be the effect of the melting of rupees on silver, and in further contracting the circulation of India which is already contracted? The contraction of the currency in India is bound to bring a greater crisis than ever. That is self-evident. When this scheme of the Government of India came out in the *Sunday Special*, no one believed that there could be such a scheme until it was printed. All these schemes must fail—every one of them—which do not rest on the convertibility of sovereigns into rupees and rupees into sovereigns. It is exactly the same as if you were to build a very beautiful house with everything that could be wished for inside and outside; unless you have a sound foundation for it, the house must fall.

6120. Suppose the Government of England were to close the English mint, what effect would that have in the City and on England generally?—If the Government did that, it would certainly lead to a change of Government, and, after all, I do not think that that is so bad as what the Government of India did in 1893, because the circulation of rupees in India is by far larger than the circulation of sovereigns in this country, and the natives of India have been accustomed for so many years to a rupee currency.

6121. The Chairman referred you this morning to a prospectus of a tea company which is issued to-day. I just want to draw your attention to the fact that that is not, properly speaking, a tea company, but is a disseminating company, whose promoters rely very largely on the fact that they have a retail trade from which they expect to make considerable profits. 250,000*l.* of first mortgage debentures are being offered to the public at 5 per cent. Now, what do you think of any company offering 5 per cent. for first mortgage debentures at this time of day in the City of London?—If the company is sound, that is very cheap.

6122. I understand you were to give evidence, not only as regards wheat, but as regards jute and other things. Now, as to jute, we know that you are by far the largest exporters of jute, and I think it would be important for us to have your evidence regarding the question of exchange as applicable to jute?—The jute as an export article, you mean?

6123. Yes, jute and cotton, and other exports?—What I wanted to say was this: As regards seeds, wheat and cotton—I do not speak about jute, because jute is the exclusive product of India—but as regards seeds, we have to compete with Russia and the Argentine Republic. As regards wheat, we have to compete principally with the United States, and with Russia and the Argentine Republic. As regards the cotton, we have to compete principally with America. Unfortunately for us, in competing with the United States, from the time the wheat is sown there to the time it is reaped, everything is done by machinery. Then, for a great many years past, there has been a great deal of machinery sent to Russia, and there, too, they use—I do not say everywhere, but in a good many places—machinery. It is the same in the Argentine Republic. That also applies to seeds, but, unfortunately for us, in India the cultivation is about what it was 4,000 years ago. I do not speak of the cultivation of tea, for instance, which is done by Europeans, but we have a great disadvantage in the matter of seeds and wheat as compared with competing countries. As regards cotton, the American crops are increasing every year. We have crops of 11,000,000, and we have a price of 3½*d.* for American cotton. In Bokhara, which is a competing country as regards the trade with Russia, the seed is changed every year; in Bokhara they do not use the same seed every year; in

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India you use the same seed every year. In that way we are at a great disadvantage. Our only advantage, and that is a great one, is in labour, which is so very cheap. For that reason we must be helped in order to expand exports, and in order to compete with those countries; and the only way I see for us to be helped is by a low exchange. I think that is quite clear.

6124. Then, will you give us your views regarding how the money may be raised by the Indian Government. You have given a great deal of thought to this matter, I understand, and your conviction is that more than a 1s. 2d. rate will be injurious both to the exports and imports of India. You would reduce the rate from 1s. 4d. to 1s. 2d.?—Yes, temporarily.

6125. This will probably cause a deficit in the accounts of the Government of India, and you would propose that, in case of need, they should impose import duties?—Increase the import duties.

6126. On such articles as what?—On all articles, in case of need. What you will have to do is to persuade our Lancashire friends that a prosperous India will be much more likely to take an increased supply of their goods than a decaying India.

6127. We had a great storm in Lancashire some years ago, when it was proposed to impose 5 per cent. duties. As you have already stated, Lancashire can protect itself. Lancashire has not got its mills out in India as the tea planter and the indigo planter have their mills out there; the Lancashire manufacturer does not need to send out his goods, he is not committed to that particular trade, he can just hold his hand, or do something else with his money?—Yes, but that is not a good argument; my argument, as I said, is that we shall sell more Manchester goods with an import duty at 15 per cent. (and 15 per cent. excise duty, of course) to a prosperous India than (without any duty) to an India which is not prosperous.

6128. I was going on to say that, as I understand you, you advocate in case of need, if the Government cannot find funds otherwise, if the rate falls to 1s. 2d., an increase of the import duties generally; but, so far as Manchester is concerned, you would have an excise duty as well?—Yes, in order to satisfy Lancashire. If India was autonomous I would not say that there ought to be an excise duty, because India would be governed only for the benefit of India; but, India is not autonomous, and therefore we are obliged, although unwillingly, to take into consideration English interests in India.

6129. In the case of jute and shellac, I think you suggested that there might be an import duty of 10 per cent.?—Or whatever the figure was.

6130. But in that case there would be an excise duty again on the Indian jute mills?—Certainly.

6131. So that Dundee should have no cause of complaint?—Yes.

6132. That is to say, if Dundee had to pay 10 per cent., the Calcutta mills would pay 10 per cent. on their production?—Yes.

6133. How would that contrast with the position of the tea planters to which we have repeatedly referred? The whole of the consumers of jute in this case would pay the export duty?—I think so.

6134. Does not the same thing apply to the consumers of tea?—No, because tea comes from other countries.

6135. But then it presses even more hardly, does it not, on the producer of tea in India than on the jute man, because jute is only exported from India, whereas tea is produced largely in China?—Yes. I will not put a tax on tea, certainly not; we have quite enough to do to compete with China, and when the central provinces come to be under English protectorate we shall have enough to do, especially with exchange at 1s. 4d.

6136. The rate of exchange is now 1s. 4d.; you think it should be 1s. 2d.?—Yes, for the time being.

6137. If Government in an arbitrary manner keep the rate at 1s. 4d. and carry out the policy that they suggest, does not that difference between 1s. 2d. and the 1s. 4d. practically amount to a tax upon the

Indian tea grower?—It is a tax, but it is a lesser tax than 1s. 4d. You tea planters must be satisfied for the time being with what may be granted to you.

6138. My point is this: The difference between 1s. 2d. and 1s. 4d. is 2d. per rupee. Is not that, practically, a tax upon the Indian tea planter, that is to say, when he sells bills on London to lay down wages to pay his coolies—in the one case he sells at 1s. 4d. and in the other he sells at 1s. 2d., so that he loses 2d. in each rupee for the laying down of wages to pay his coolies, and other expenditure for cultivation. The tea planters urge that that practically amounts to a tax upon their industry?—Certainly it is a tax, but I say it is better for you to pay 1s. 2d. than to pay 1s. 4d.; you will draw at 1s. 2d. instead of drawing at 1s. 4d., and you make 2d. per rupee profit on the wages which you give to your labourers.

6139. The tea planters, you understand, do not object to whatever the rate may be as fixed in the natural course between exports from India and imports; they do not complain of that, whatever the rate may be; they have never complained, and never will, as I understand, complain of that; but what they do complain of is, that when they have sunk these 35,000,000*l.* of capital the Government should step in, in an arbitrary way, and say, Now we will make the rate 1s. 4d. They say that is a tax to whatever extent the rate is fixed beyond what is the natural course of the difference between the imports and exports. Then it appears to you that that is a reasonable argument?—It is a tax, but I say that 1s. 2d. is a lesser tax than 1s. 4d. Do not you think that the planters must join us in asking Government to do what is practicable? The proper thing for the Government to do is, not to increase its gold debt but to leave things as they are, and to try 1s. 2d.; if you ask too much, you will not be given anything.

6140. Now, one or two questions were put to you which you seemed to think were somewhat of a *reductio ad absurdum*. You said you thought that the rate could not fall below 1s.?—The opinions I have taken for the last four years are to the effect that you will have something between 12*d.* and 13*d.*

6141. You consider that it is quite beyond possibility, in ordinary circumstances, for the rate to fall to 10*d.*, much less to 8*d.* or 6*d.*, all which figures were named to you to-day?—Yes; but on that point you have among you the best Indian expert, my friend Mr. Campbell. His evidence would be much better than mine, because he knows all about it better than I do.

6142. We had a witness here who said he could discount bills in the bazaars at 8 per cent.?—When?

6143. When the Bank of Bengal rate was 13 per cent.?—He must be a very clever man, if when Mr. Campbell can get 15 per cent., he should pay only 8 per cent.

6144. (*Sir D. Barbour.*) You think that the decline in the gold value of silver was an advantage to India?—On that point I agree with the Government of India in the opinion that it was a decided advantage to India.

6145. You were asked whether you could state at what point it would cease to be an advantage?—I cannot do that.

6146. Do you think the indefinite fall would be a gain?—An indefinite fall would be impossible.

6147. If the rupee went to 1*d.*?—Of course; you know very well that that is an impossibility. Why should we discuss that?

6148. Do you think it is to be regretted that silver cannot be produced so cheaply that if the rupee went to the silver value, the rupee might fall to 1*d.*?—I cannot see the use of discussing impossibilities. It is all very well when you have an academical discussion, but now we have a practical discussion.

6149. I recollect when men said that it was impossible that the exchange should fall below 1s. 10*d.*, and again, I recollect people who said that it was impossible it should fall below 1s. 8*d.*; nevertheless it

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did fall. However, you say the fall was an advantage to India?—It has been an advantage to India.

6150. Then I asked you what seemed to me to be a very reasonable question; that is, is a continuous fall an advantage, or is there any point at which the fall would cease to be an advantage?—I cannot say at what point the fall will cease to be an advantage.

6151. Then you said that large exports are necessary from India, and that only a low rate of exchange will give large exports?—Yes.

6152. On the question of exports, are there not three main factors that you have to take into consideration—first, the rupee price; second, exchange; thirdly, the gold price?—And the freight.

6153. I will leave out the freight, because that does not depend on exchange. There are those three factors?—Yes.

6154. If the exchange rose, and simultaneously the gold price rose, there would be no check to exports—if the gold price rose sufficiently to balance the rise of exchange?—With the difference that we should have a greater competition with other exporting countries.

6155. But so far as India is concerned, if she gets a higher gold price, a corresponding rise in exchange would not interfere with exports. I am assuming that the one balances the other?—Yes, but the lower the exchange the larger is the amount of rupees that we give to the cultivators of the land.

6156. But the higher gold price would be given just the same. All I say is, if it should so happen that the gold price rose proportionately to the rise in exchange there would be no check to exports?—If the gold price on which we sell rose to the proportion of the rise in exchange, then we should be in the same position; but may I add this. We must bear in mind that we have to compete with other countries. The cultivation of other countries is increasing, and, therefore, as a rule, unless the crops in Europe are deficient, we could not expect higher gold prices.

6157. The gold prices may not rise; I do not say they would?—But they could not rise under normal conditions.

6158. Similarly if the silver prices happened to fall when the exchange was rising, so as to balance the rise of exchange, there would be no check to exports, would there?—Yes, there would be.

6159. Why, if the fall was sufficient to balance the rise of exchange?—There would be a great difference.

6160. Would there be a check in the exports?—Yes.

6161. Why?—Because we should have had to give a low price to the natives.

6162. A lower rupee price, certainly?—That would prevent the expansion of cultivation. For the time being it would be the same, but ultimately it would be very much to the damage of India.

6163. The cultivator would grow less of those articles for export?—Yes, either he would grow less, or he would not grow as much as he would grow if exchange was low.

6164. Do you not think that he would turn his attention to something else?—He must do that or he will starve.

6165. We can hardly assume that he will starve. If he could not make enough money at one product, he would take to something else?—If he can make a living with other products.

6166. Then you said the tea producer suffered a loss of 2d. in the rupee, if exchange rose from 1s. 2d. to 1s. 4d.

(Sir J. Muir.) To the extent of the bills that they sold in Calcutta.

(Witness.) What I said was this. If you have a tea garden, and the exchange instead of being 1s. 4d. is 1s. 2d., then for the wages you pay in India you make a profit of 2d. per rupee.

6167. (Sir D. Barbour.) Now, there is a large quantity of piece goods and yarn exported to India every year?—Yes.

6168. Altogether it comes to about 30 crores of rupees, I think?—30,000,000 sterling.

6169. Now, when exchange falls from 1s. 4d. to 1s. 2d., do not the people who purchase those goods in India pay more rupees for them?—Yes.

6170. In fact, they lose 2d. per rupee?—Well, that is not the view that we take. Grahams, who are people of very great capacity, and whose business is in imports, are in favour of re-opening the mints, because, they say: If we have large exports owing to a low exchange, the natives of India make a profit, and by the profit which they make, not only they extend the cultivation, but they increase their power to buy imports. When exchange is high, we sell more piece goods, but that is a temporary advantage; and, in the long run, as we see from the statistics, when the exchange was falling, our business in piece goods was rising year by year.

6171. But the particular question I asked was this: When the exchange fell, they had to give more rupees for their piece goods; is not that so?—But you could not restrict the inquiry to that. What I say is, they are in a much better position to give good prices for their piece goods than when exchange is low, because it gives the buyers the means of buying their goods. What is the use of having a high exchange if you cannot find purchasers?

6172. But supposing the purchaser is a native of India, not engaged in producing anything. Take the case of a native clerk at 30 rupees a month; his salary is not increased when exchange falls?—No.

6173. So that he suffers, at any rate, by having to give more rupees for the cloth which he and his family require?—Yes, but you must see what is the interest of the large majority of Indians. When we abolished the Corn Laws, the landlords undoubtedly suffered, but the bulk of the population is very much benefited. I believe that if the present policy of the Government of India is continued, and if the contraction of the currency continues, we are bound to have a very severe crisis. That is the opinion of the Chamber of Commerce of Calcutta.

6174. I will take it for granted that that is their opinion, but why should that be so?—Because we shall have fewer rupees in circulation than now.

6175. But, on the other hand, as there has been such a very high rate for money, do not you think that people who have money to lend will arrange to provide it in the active season, so as to get the high rate?—Do you mean the natives?

6176. Anybody who has money to lend would rather get 12 per cent. than 4 per cent.?—Yes.

6177. Do not you think that that may help to lessen the amount of pressure next year?—At the beginning of last winter they wrote to us from India that we should have much larger deposits at the Bank of Bengal in Calcutta and the Bank of Bombay in Bombay, because we were not sure that when we wanted to draw out telegraphic drafts we should find the rupees at the banks, because rupees were scarce. Well, if the contraction of the circulation continues, the contraction will be increasing in severity, and we shall have a still higher rate of interest and a crisis.

6178. But if you deposit your money beforehand with the bank, you will anticipate all that?—We deposit at the bank in order that when we buy our produce we may be able to pay for it; that is our object.

6179. But having made that arrangement, you have no further difficulty?—We must keep our balances at the bank larger than we should previously.

6180. But your balances do not cost you 12 per cent.?—Not to us, but to all those firms who are financed by Mr. Campbell, they will have to pay more. Every year the screw is put tighter and tighter, until it ruins the trade.

6181. I daresay you have heard that a crisis only occurs when it is not expected; if it is expected, you can provide for it?—That is always my experience. Last year, at the beginning of the winter, we were written to from India, and told we must prepare for a crisis. We wrote back and said that the crisis

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which was expected never came ;—but the crisis *did* come.

6182. (*Chairman.*) And you were ready for it?—Well, we made ourselves ready.

6183. (*Sir J. Muir.*) The crisis came all the same?—Yes. Next year, if it goes on, we must increase still further our deposits at the banks.

6184. To meet the further crisis?—Yes, it may be very serious.

6185. (*Sir D. Barbour.*) You quoted the opinion of the Government of India in 1886?—Yes.

6186. At that time the exchange was about 18*d.*, was it not?—I do not remember. The despatch of the Government of India of 1879 was a splendid despatch.

6187. In 1886 the exchange was about 1*s.* 6*d.*?—Yes.

6188. It fell very considerably afterwards?—Yes.

6189. And was considerably lower when the mints were closed?—Yes. In 1879 the Government points out the evil of any artificial currency.

6190. When the mints were closed there was a danger that the Americans might cease the purchase of silver?—Yes.

6191. There was a danger of a further fall?—Yes.

6192. Of course, the fall being, in your opinion, a good thing, you would not have objected?—No.

6193. In 1886, I think, the Government of India had some hopes of bimetallism. At any rate, they were trying for bimetallism, were they not?—I do not remember.

6194. I think it was in 1886 that the Gold and Silver Commission was appointed?—I do not remember.

6195. In 1893, when the mints were closed, the Government had given up the hope of bimetallism?—I suppose so.

6196. So that things had changed somewhat in 1893 from what they were in 1886?—But those sound principles of exchange are permanent.

6197. What are the sound principles you refer to?—“The Government of India propose that the free coinage of silver shall be restricted, so that the rupee shall no longer remain, as at present, simply a piece of silver of a given weight and fineness, but shall, in addition to these qualities, bear a fixed relative value to the English sovereign.”

“The proposal appears open to those objections to a token currency which have long been recognised by all civilized nations, viz., that, instead of being automatic, it must be ‘managed’ by the Government” (that is exactly what the Government has done in 1893) “and that any such management not only fails to keep a token currency at par, but exposes the Government which undertakes it to very serious difficulties and temptations. It appears, too, that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Government has been to diminish the amount they have to pay to their creditors. In the present case the object of the Indian Government appears to be to increase the amount they have to receive from their taxpayers. My Lords fail to see any real difference in the character of the two transactions.

“If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others who desire to remit money to England; but this relief will be given at the expense of the Indian taxpayer and with the effect of increasing every debt or fixed payment in India, including debts due by ryots to money-lenders.”

6198. Is that in the despatch of 1886?—No, that is an extract from a letter of the Lords Commissioners of the Treasury to the Secretary of State for India in Council, dated the 24th November, 1879.

6199. That is not the despatch of the Government of India?—It is from the Secretary of State for India on this side. I think those principles of sound currency will be permanent, and nothing can shake those principles.

6200. And those principles would apply equally if the rupee went down to one penny?—As to that, you must ask the Secretary of State, who wrote the despatch.

6201. You said that the principles are the same always, under any circumstances?—I mean the currency principles.

6202. If they are the same always, would not those principles apply equally, though the rupee went to one penny?—Currency principles, of course, cannot alter.

6203. And, therefore, that line of argument would apply if the rupee went to one penny?—I shall refer you to the Secretary of State for India, who wrote that despatch. He is a much cleverer man than I am.

6204. You said that if the 10 crores of rupees were melted and the silver sold, the price of silver would go down?—Yes.

6205. That would be only while the silver was being sold?—It will be as long as the Government of India has got to sell silver.

6206. (*Sir C. Crosthwaite.*) You said that, at the time of the closing of the mints, rupees were not redundant?—That is what I maintain.

6207. And, as a proof of your opinion, you said that if rupees had been redundant they would have been sent back to Europe?—The surplus, yes.

6208. In silver?—Yes, the banks would have sold the silver here.

6209. Just as gold ebbs and flows from Egypt, as you said?—Yes.

6210. Is that a fair analogy?—Certainly; it is the same principle.

6211. But gold is current in Europe. You can take gold to the mint in Europe and get it coined, but you cannot take silver to the mint in India and get it coined?—But you can sell silver in the open market here.

6212. That would lower the price at once, would it not?—What I say is, if the circulation is redundant, the surplus must be exported.

6213. The surplus of silver?—The surplus of rupees or silver; it is the same. Then what would have been done is that immediately they would have sold the silver here, and shipped against that either the rupees or the silver.

6214. Must they not, necessarily, have lost on the silver in doing that? When they attempted to sell the silver here, the price of silver would fall, and the transaction would have resulted, probably, in a loss?—No, it would not result in a loss, because they would have sold silver before that silver was shipped.

6215. You think that would work?—Certainly, and I have the highest opinion in London about that, Mr. Cassell, who is a very high authority in the City. I went to him in order to check my opinion, and it was checked by two other bankers. I went to Mr. Cassell because he knows a good deal about Mexico, and I wanted to compare Mexico with Japan and Chili, and Mr. Cassell told me: “What you said, Mr. Ralli, is an undoubted fact; no banker can dispute it.”

6216. Is there any instance of any silver coin being sent from other countries, and sold here?—Oh, yes, the Mexican dollars, and so on; millions and millions of them.

6217. When they are redundant?—They send the Mexican dollars here to sell.

6218. But Mexico is a silver producing country, is not it?—Yes.

6219. India is not a silver producing country?—No, but the result would be the same.

6220. You said there was a scarcity of rupees in India during the last two years, and in the interior,

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as well as in the big cities?—There must be everywhere a scarcity, because, if there was not, the rupees would not be loaned at 15 per cent. per annum.

6221. But there might for some time be a local scarcity and not a general scarcity?—When I said that the banks were loaning rupees at 15 per cent. per annum, that was done at the same time in Bombay, Calcutta, Karachi, and everywhere.

6222. You have very large dealings in India; you purchase very largely?—Yes.

6223. Your purchases amounting, I suppose, to hundreds of thousands of rupees?—Oh, more than that.

6224. You said you had not had any instances of scarcity from any report made to you by any of your own people?—Well, we cannot have, because we supply our agents with rupees from Calcutta, Bombay, and Karachi, and until we have those rupees we do not buy the goods; so that we do not know, and do not care to know, whether the rupees are scarce in the country or not; but the fact that they are scarce is shown to you by the rate of interest.

6225. But you were able, without any difficulty, to supply your own people with rupees?—From Calcutta, Bombay, and Karachi.

6226. Although the mints were closed you had no difficulty in getting the coin?—No, because the banks were obliged to give us the coin.

6227. You mean that when you go to the Bank of Bombay or the Bank of Bengal they are obliged to give you the coin against your deposits?—Yes.

6228. But if there was no coin, it does not matter what their obligation was; they could not give it to you?—No, but fortunately we have not arrived at that yet.

6229. (Sir J. Muir.) Unless the banks paid you against your deposits, they would have to suspend payment?—We take care to have deposits at the Bank of Bombay and the Bank of Calcutta sufficient for our currency wants for a fortnight. Then when that is expended, we deposit again.

6230. (Sir C. Crosthwaite.) What I wanted to get at was this: You, being the largest exporters of produce from India, have not found any difficulty in getting coin to buy your produce?—We could not find any difficulty.

6231. You could not, and you have not?—As a matter of fact we have not, because we provide always for that.

6232. You have provided for these years as well as other years?—Yes.

6233. Now, your proof of this scarcity amounted to one instance which occurred in Moulmein, where a rice firm wanted 21,000 rupees to pay the export duty on a cargo of rice, and could not find the rupees?—Yes.

6234. The name of the firm has not been mentioned, and therefore I may ask you whether the firm was solvent?—Oh, yes, perfectly solvent.

6235. Had the firm already raised money on the cargo of rice?—That I do not know. When the cargo is shipped, of course, they would draw against the cargo.

6236. But the cargo was shipped, I presume?—Of course. They must draw in England to pay for the cargo. The firm is all right in every respect.

6237. But they could not get this 21,000 rupees?—That is what I was told by very good authority.

6238. The export trade in rice from Burmah amounts to over 1,000,000 tons a year?—More than that.

6239. If there had been difficulty in getting actual coins to pay the export duty, one would have expected to find more than one small instance of that kind?—But I have not sought for other instances.

6240. You have not heard of other instances?—No, I have not heard myself.

6241. You said that these rupees came from Calcutta?—So I heard.

6242. I think I am right in saying that the Burma trade is very largely financed from Calcutta?—Yes.

6243. And that every year a large amount of rupees has to be sent from Calcutta?—Yes.

6244. So that there was nothing extraordinary in the money coming from Calcutta?—No; but what is extraordinary is that there should not be sufficient rupees there, and that when the rupees were sent out from Calcutta they were loaned at 20 per cent. per annum.

6245. That may be extraordinary, but it is more extraordinary that it should only have happened, so far as we know, in this one case?—I do not see that, because I have not sought any cases. I have no doubt there must be a good many other cases.

6246. (Sir J. Muir.) I daresay you can get more cases if they are wanted?—That is the only case that I have.

6247. (Sir C. Crosthwaite.) However, you have been able to carry out your export business; you have not wanted for coins; you have found the rupees to carry on your trade?—Yes, to carry on our trade in that way.

6248. But have you been driven to resort to barter in any cases?—No. A friend of mine, Sir Edward Sassoon, stated in a paper, which he read at the Society of Arts, that there had been bartering; and upon that I went to him and said, "In your own business, have there been any cases of bartering, because we have not had any in our business?" He said that he had heard of it, but that he had no case in his own business. I give you that information against me.

6249. You have not had to resort to that expedient?—No.

6250. You have not had to resort, for instance, to beads or bars of silver?—Well, that can be done. Suppose, in the interior, we can sell bar silver at an advantage—

6251. What do you sell it for?—We may sell it to those people who hoard bar silver or want to make ornaments of silver.

6252. But I mean, what do you take for it?—We would take rupees for it, and we should buy the produce with these rupees. But we have not done that.

6253. If you were to do that you think it would not show that there was any scarcity of rupees?—No.

6254. If you resorted to buying wheat with bars of silver, would not that tend to show that there was scarcity?—It would be a terrible state of things if we ever came to that.

6255. I suppose you know that a good deal of the small village transactions are carried on by barter?—Yes, in barbarous countries.

6256. I mean in India?—I have no experience of that. We always send our rupees from the seaports, or we have to draw at sight from the large markets.

6257. Now, you laid great emphasis on the fact that the low exchange enabled you to give a greater price to the cultivators?—To our sellers, and from our sellers it goes to the cultivators.

6258. Could you give to the Committee from your books a statement for the last 10 years of the average prices that you have paid, say, for wheat and linseed?—No, we do not keep that information; it is no use for our business.

6259. Can you give any statement from your books which would show any proof that when the exchange was low you paid your sellers more, and that when the exchange was high you paid your sellers less?—But common sense tells you that.

6260. You say that when exchange is low you can pay your sellers more, and when exchange is high you must pay them less. You have been in business for many years, and I suppose you have books that you could show to the Committee?—But that is of no use to us. What I say is this: When the exchange is low, of course we give more rupees; when the exchange is high, we give a less number of rupees. We have not here, in Bombay or Calcutta or Karachi, statistics to show that because statistics would be no use to us.

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6261. Take the statistics of this year; you have been buying largely in this present year?—Yes

6262. And exchange is 1s. 4d.?—Yes.

6263. Have you given them less rupees than you gave them, say, when the exchange was lower?—That is exactly the same question that was put to me over and over again by my late friend Mr. Currie.

6264. He could not have put a question to you with regard to this year?—He put it with regard to 1891.

6265. But for this year, 1898, I want to know whether you gave more rupees than in 1891?—1891 and 1898 are on all fours in this matter. In 1891 the crops of wheat all over Europe had failed; in 1898 the same was the case. In 1891 the price of Californian wheat went from 32s. to 48s. 6d. This year it went up from about the same price to 53s. 6d. The result is that, when we have a great rise, whatever the exchange is, it does not affect the export, and the price which we give to the sellers this year is higher than ever. When your gold price is so much higher you can afford it, but the question is what happens in normal times. Suppose the exchange is 16d., and you are a seller of produce, and I can afford to give you 12 rupees, then, if exchange instead of 16d. was 12d., I would give you 16 rupees. It is a rule of three sum. You do not want books to prove that.

6266. I am asking you these questions because we have been told by other witnesses that prices have not risen, and many people assert that prices have not risen in consequence of a low exchange. The cultivator, it is said, does not get any more rupees for his produce under a low exchange than he does under a high exchange?—Those witnesses who have stated that cannot know anything about the export trade or about the trade of India. It is self-evident. You cannot dispute that. Those witnesses did not know anything about it.

6267. Now, you said that the low exchange enables you to compete with other countries?—Certainly.

6268. If you have given it away in a higher price to the producer, how does it enable you to compete with other countries?—Because when the exchange is low the sterling price is low.

6269. Why?—It costs less.

6270. I understood you to say that the number of rupees you got would enable you to pay a higher price to the cultivator?—Supposing the exchange is 16d., and I give 12 rupees; then, suppose the exchange goes from 16d. to 12d., I shall give 16 rupees instead of 12, if the price of that commodity in the selling market and the freight remain the same.

6271. That does not explain how you compete with other countries. Do you compete with other countries by lowering your sterling price? When you get a low exchange you say you are able to compete with other countries?—Certainly.

6272. How do you compete with other countries? By taking a lower sterling price?—In this way. If the exchange is low and I can afford to give more rupees to the native, the native is willing to sell to me for lower prices in rupees than he could do if the exchange was high, and then I could compete with other countries.

6273. But you said you gave him more rupees if the exchange was low?—But it is all a question of comparison.

6274. That is how I am taking it. When exchange is high you give the cultivator fewer rupees; when the exchange is low you give him more rupees?—If the price of the commodity in the selling market remains the same, and the freight remains the same, then we give him more rupees.

6275. Now, you say he is willing to take fewer rupees, and that enables you to compete with other countries?—Suppose you were a seller, and instead of 12 rupees I could give you—the price of the commodity and the freight remaining the same—16 rupees. If the price in Europe declines, the native making so

much money can afford to sell to me cheaper, and then I can afford to compete with other countries.

6276. That is to say, you lower the price in Europe by competing. Is that what you mean? The advantage of exchange you divide partly to lower the price in Europe and partly to increase the price in India?—I only lower the price so far as to enable me to sell in competition with the United States, Russia, the Argentine Republic, and so on.

6277. It enables you to undersell those countries?—Not to undersell them, but to sell at the market price, because India is a very small country compared with America for wheat. The difference is, in the one case I could not do business and in the other case I can do business.

6278. Now, do you mind telling me with whom you deal—with the actual cultivator who produces the crops or with middlemen?—We deal with middlemen, both in the seaports and in the interior.

6279. Do you not also deal with the cultivator direct?—No.

6280. To whom do you make advances? I think you now do business largely by making advances for delivery ahead?—We make large contracts for delivery ahead.

6281. And you advance money to them?—No, it is only exceptionally that we give advances—small advances.

6282. Do you not, in Cawnpore for instance, advance money?—That would be in very exceptional cases. It would not be safe to do that.

6283. Then those men with whom you deal are not cultivators?—No.

6284. Therefore you cannot say from your own knowledge that the cultivator gets the higher price which you give?—Certainly he does. The more money the middleman gets, the more money the cultivator gets, because there is the same competition between the middlemen that there is between the merchants.

6285. I suppose that you know that the cultivators, most of them unfortunately, are in debt?—Before 1893 the number of cultivators in debt had immensely decreased, and India was never so prosperous as before 1893.

6286. Have you any reason to suppose that the number of the indebted has increased since 1893?—That was the state of things in 1893, because we knew that the amount of debts had decreased. Now, I suppose, they must have increased considerably.

6287. Is it not the general practice of the cultivator to hand over his grain as soon as it is ready to the small dealer?—Yes, he sells to the dealers and the dealers sell to us.

6288. He sells if he is not in debt, and if he is in debt he hands it over?—If he is in debt he has to sell at the market price to the party to whom he is in debt, and he pays in that way his debt.

6289. Notwithstanding that, you think that the higher price reaches him?—Notwithstanding that I am convinced that the higher price that we give to the middleman reaches him, because the higher the price the middleman gets the higher the price that he must give to the cultivator. It is not an option with him; he is obliged by the competition to give it.

6290. I understood you to say that in 1873 you withdrew your rupee capital from India?—No, we did not withdraw anything. What I meant was this: we turned into sterling all our rupees in India. It is very easy to do that, if you want to do that. The National Bank has done the same thing some years ago. We do not want to allow any of our firms in India to speculate on the exchange. Those people who tell you that there has been large speculation in exchanges, and that business in India has been largely a gambling business, do not refer to legitimate merchants. They refer to nothing more or less than speculators in exchange. These people have been wanting exchange to go up, and it has been going down, and they attribute the result to the fluctuations in exchange; it is nothing of the kind.

6291. Why did you do that in 1873?—We saw that the German Government were demonetising silver.

6292. You thought silver would go down?—Certainly, it was evident.

6293. Then it would have been a good thing if the Indian Government had gone on a gold basis in 1873?—Then, I think, the exchange was something like 2s.

6294. But it would have been a good thing, you think?—For the Government, yes; but bad for the Indian cultivator.

6295. It would have been better for the Indian cultivator?—No, worse.

6296. If they had gone on a gold basis, I mean?—It would have been very bad for the Indian cultivator.

6297. Why?—Because the decline of silver and the decline of exchange has immensely benefited the cultivator of India.

6298. To be paid in a depreciated coin is a good thing then?—The decline of silver and the decline of exchange has immensely benefited the cultivators of India, and this is stated in the minute signed by the Government of India here in 1886. That tells you exactly what happened.

6299. You instanced linseed as a crop, the export of which had been affected by the rise in exchange?—I did not say that. This year we have had a good crop of linseed, and we must have a good export, I have no doubt.

6300. Linseed, as you are aware, suffers very much in the same way from drought as wheat?—Yes.

6301. The crop of linseed in the last two or three years has been very bad, has it not, until this year?—Until this year, yes; the crop of 1897 was 141,000 tons; in 1896 the crop was 154,000 tons, previously the average was 250,000 tons from Calcutta. I admitted that anyone who argued that because the export from India in 1897 is lower than it was in 1895, the conclusion should be drawn that it was entirely the result of the closing of the mints, did not use a fair argument, because you must take into consideration the drought of 1897 and also the famine and plague and so on.

6302. (*Mr. Holland.*) I understand that you are, yourself, personally against the proposals of the Government of India?—Entirely.

6303. But I think you gave us to understand that some of your partners dissented from your views?—Yes, for the interests of the firm, not the interests of India.

6304. Would you like to tell us what proportion of your partners favour and what proportion are against the proposals of the Government of India?—Some men interested in our firm hold the views which I have explained to the Committee.

6305. But would you say that the majority of your firm are against the Government proposals?—The majority are with me, but some of the gentlemen say that the interest of our firm is that the Government should pursue the same policy which they have pursued hitherto. There is one thing also which anyone who is in India takes greatly into consideration. It is much more agreeable to us to have the same policy as the Government than be obliged to oppose the Government, because our gentlemen in India and out in the interior are in daily contact with the Government officials, and, of course, to be obliged to oppose the Government is disagreeable, not only to us, but to all our people in India.

6306. I think the Indian Government themselves admit that the success of their proposals depend upon the balance of trade being sufficient to pay the sterling obligations. Do you think the monetary stringency at present obtaining in India is having the effect of strangling trade?—Not this year, because we have had very large crops, and the crops will be shipped whatever may be the stringency of the money market, but immediately you have moderate crops or short crops, as a matter of course the high exchange will tell very much against the balance of trade.

6307. But if the monetary stringency has the effect of strangling trade it will be very difficult to maintain the balance of trade?—If you had a reduction of 10 per cent. of the trade, you know what would be the effect.

6308. You contemplate, I understand, ultimately the re-opening of the mints?—I am certain that they will be re-opened ultimately, because whatever the Indian Government does in the shape of a gold standard will fail. It is a question of time; they will be driven to the re-opening of the mints by force of circumstances, and for that reason I think that that must be provided against by a slow process.

6309. You are in favour of allowing each metal, whether gold or silver, to find its natural level?—Yes, I am against the manipulation of the currency, and against any artificial currency for the reasons stated so ably by the Government in the despatch of 1879.

6310. In your opinion, is silver a satisfactory standard for India?—Certainly, I think silver is a very satisfactory standard for India. Consider what was the result of a silver currency for Mexico. Mexico was a bankrupt country in 1893, now it is in a most flourishing state. Then, again, go to Japan; the Japanese are, as a matter of course, far superior men to the Mexicans. Until they had a gold standard their prosperity was very great. Immediately they have gone to the gold standard $4\frac{1}{2}$ millions of the gold currency is exported to Europe. The Japanese Government out of the war indemnity is obliged to send gold to replace the exportation; they are obliged to take measures to restrict their importation, and now there is a large petition in Japan to give a bounty on goods and yarns to China, in order to enable the Japanese to compete with the mills of China, because Japan is on a basis of $29\frac{1}{2}$, and China is on a basis of silver. There is actually now a memorial, signed by all the cotton spinners, to the Japanese Government asking for a bounty. Then in Chili the gold standard broke down. In Spain and Italy the gold standard was a failure. Even in Austria, I am afraid it is shaky. In Russia, where they have the gold standard, the Moujiks do not accept gold; they want notes because they are accustomed to notes, as in India people are accustomed to rupees. Every country wants a medium of circulation. The rupee is suitable for India; sovereigns are not suitable. Notes are suitable for Russia, and are preferred there to gold, and so on.

6311. If exchange were to fall and a gap were created in the revenue, you would fill up that gap with extra taxation, as you have described?—Yes, I should rely upon that.

6312. For that taxation you would fix your attention first on the question of the cotton duties. You know how burning a question that is in Lancashire?—Yes.

6313. It was a burning question when it was only a matter of 5 per cent. If you now propose to increase it to 15 per cent., that will raise feelings to a very high temperature, will it not?—That is because in Lancashire they do not understand yet that the greater the prosperity of India the more Manchester goods will be sold.

6314. I do not want to discuss the merits or demerits of it, but you have to deal with the view that Lancashire takes of this question, whether it be right or wrong?—But do you think that in Indian matters we ought to legislate for the benefit of Lancashire or for the benefit of India?

6315. I am not saying whether Lancashire is right or wrong, but you admit that they do take a certain view?—No doubt.

6316. And you will admit, probably, that it would not be very easy to induce a Secretary of State to adopt a policy which ran counter to that view?—If the Secretary of State legislates for the benefit of India, and not for the electoral interests of his party, he will legislate in favour of India, and in favour of a higher duty. You have seen that the Liberal Government maintained the 5 per cent. duty, although they knew that the Lancashire vote would go against them.

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6317. And a good many of their followers were sacrificed?—Yes, but they had the manly courage not to care about losing votes in Lancashire.

6318. You would say, I suppose, that by having an excise equivalent to the amount of import duty imposed, you would not favour India on the one hand, or Lancashire on the other?—Quite so.

6319. But, of course, you will admit that that would increase the ultimate cost of the goods and in that way tend to lessen the demand?—But the higher cost would be easily paid by the Indian population if they are prosperous.

6320. May I ask whether your Manchester partners agree with your views as to cotton duties?—Entirely. Our leading partner was here, and he tells me that he concurs entirely.

6321. (*Mr. Campbell.*) You say you have numerous agencies in the interior of India?—Yes.

6322. But you have taken no pains to get advices from them as to the state of the money market in the interior?—Yes.

6323. Have you provided your agencies with sufficient money for their own purposes?—Certainly.

6324. Did you find in the course of your business, that owing to the stringency of money, you were able to buy produce on better terms?—Of course.

6325. That is to say, that the natives were pressed to dispose of their produce?—They were obliged.

6326. They were obliged to dispose of their produce at a lower price in order to get money?—Yes.

6327. Much of India's industry is carried on with borrowed money, is it not?—Yes.

6328. Dear money and low prices caused by dear money have a tendency, have they not, to check production?—Yes.

6329. And if production is checked, might not that interfere with India's ability to pay her foreign debt?—Yes.

6330. I suppose you consider it essential, do you not, in the interests of India, that she should pay her foreign debt in produce?—That is the only way of paying the debt, she cannot pay it otherwise.

6331. Failing her ability to pay the debt, what would happen?—The debt of India must be paid by the excess of exports.

6332. But suppose exports do not suffice for paying it?—Then India would be in a very bad way, because it will be obliged to increase the gold debt here.

6333. There are two ways of doing it, one is borrowing, which you would consider objectionable?—Most objectionable.

6334. And the other by exporting currency?—Yes, because silver is divorced from the rupee now.

6335. And silver would have to be sold at 40 or 50 per cent. below its face value?—Yes.

6336. You have already told us what you think would be the effect of melting down 10 crores of currency. You have also given us your opinion as to the influence of a high or a low exchange on trade and on the trade balance?—Yes, especially the local trade, which is 20 times greater than the export trade. If you have a high rate of discount in the country you affect most seriously the local trade of the country.

6337. The whole internal trade of the country?—The whole internal trade of the country.

6338. We have heard a good deal about the effect of exchange on trade, and some witnesses have said that the effect of a fall in exchange is only temporary. You do not agree with that?—We have not found it so. In fact, we have only to see the exports of India, how they were increasing year by year while the exchange was falling, and what is curious notwithstanding the continued fall of exchange, the imports of Manchester goods were increasing in India in a greater ratio than the export of goods. That was very curious.

6339. I do not know whether you have followed the trade returns sufficiently to say whether a large balance of trade in India's favour takes place when exchange is low?—Yes.

6340. There are some figures here bearing upon that point. In 1893-94 the balance of trade was only 18 crores of rupees, that was the year that the mints were closed, and then exchange was kept artificially high by the Government refraining from selling their bills. The following year, when exchange was 1s. 1'10d., the balance of trade rose to 37 crores—doubled itself?—Yes.

6341. In the following year the rate was still about 1s. 1'60d., and the balance of trade was 35 crores. Then exchange began to rise again. In the following year 1896-97 the balance of trade fell to 23 crores. And in 1897-98 when the rate was 1s. 4d. the balance of trade fell to under 16 crores. Does that indicate to you that the balance of trade follows exchange to a very large extent?—Yes.

6342. I should like to put one or two questions to you as to the effect of the permanence of a low or a high rate. Take the competition of a silver standard country as against a gold standard country in such a thing as wheat. Suppose wheat is 12l. a ton in England and exchange is 2s., that would mean 120 rupees per ton in Calcutta?—Yes.

6343. If the price in England fell to 8l. a ton and exchange fell to 1s. 4d., the Indian seller would still get his old price of 120 rupees in Calcutta?—Yes.

6344. While the English producer was getting 33 per cent. less for his produce?—Yes.

6345. With a heavy fall from 12l. to 8l. a ton might it not happen that the English grower would be losing money, and could not produce his wheat at a profit?—Yes.

6346. While the Indian grower would still be able to sell as well as he could before?—Certainly.

6347. And that would continue, would it not, so long as the same conditions lasted?—Yes.

6348. While a rise of exchange might again deprive him of that advantage?—Yes.

6349. Wheat exports this year have been unusually large?—Yes, owing to the immense price paid here.

6350. And that has enabled large shipments to be sent forward in spite of the high exchange?—Yes. As I said previously the high exchange could not check the exports.

6351. Simply because of the abnormal state of matters here?—Yes.

6352. But in a normal year when prices fell to their old level the high exchange might tell very seriously?—And will tell very seriously.

6353. Now, as regards the ratio between gold and silver, do you think it would be impossible to establish a gold standard on the basis of 1s. 4d.?—Yes.

6354. It would mean 15 rupees to the sovereign?—Yes.

6355. You think that gold at 15 rupees to the sovereign is under value?—It is too much for us to pay. We have found it so.

6356. Gold, as no doubt you are aware, has come into India very largely at a higher price than 15 rupees to the sovereign?—Yes. The higher the exchange is in India the lower is the price of gold in rupees and the greater the attraction of gold to India.

6357. Still, the price of gold in India has never fallen to the Government's price?—No.

6358. So that gold can still be exported to India and sold in the bazaars at a higher price than the Government offer for it?—Yes.

6359. You are in favour, under certain circumstances, of a gold standard, if it could be accomplished?—Yes, but I think it cannot.

6360. How would you acquire your stock of gold?—There are two ways of getting gold. If we have a low exchange and good crops, some gold may go to India and the Government would take that gold against rupees, say, at 1s. 2d., Or we shall have to make a loan in sterling here to get the necessary reserve.

6361. If you put the ratio low enough, gold might be attracted to India in the course of trade, say, at 1s. 2d.?—Yes.

6362. Would it not be much more likely to remain there if it were attracted in a natural way than if it were sent out by borrowing money at a high rate of exchange?—Certainly, it would be much better if gold went naturally to India than if we were obliged to borrow here and increase the gold debt of India.

6363. If you make a ratio of, say, 1s. 4d. and attempt to enforce it by borrowing gold to be sent out, is there not a danger that when you stop borrowing the gold will come back again?—I think the gold will disappear, and very quickly, because the silver price of the gold will be cheap, so that there will be great inducement for the Natives to change their rupees for gold, and also immediately you have short crops and short exports the gold will be exported.

6364. That is to say, gold borrowed and sent out?—Yes.

6365. If gold went out in a natural way, you would expect that possibly a portion of it might come back again during the slack season?—Yes.

6366. Still some might remain?—Yes, as in the case of Egypt.

6367. In the course of a number of years, if that process went on, might not India gradually in the natural way accumulate a considerable stock of gold?—Certainly.

6368. Now, I want just one word about redundant currency. You told us that you do not see any evidence of currency being redundant at the present time?—No, and I think I have proved that it was impossible, before 1893, that the currency should be redundant.

6369. But I mean at the present time?—I see scarcity; I do not see redundancy.

6370. I suppose you would admit that, by contracting the currency in the way the Government propose, they might raise exchange to 1s. 4d.?—Certainly.

6371. But the effect on trade on account of the contraction, and the dear money caused by the contraction, would be disastrous?—Yes.

6372. And would injure India's production?—It will injure materially both the foreign and the internal trade of India.

6373. If the measures taken to contract the currency and to keep exchange high had the effect of curtailing the trade and lessening the balance of trade in India's favour, would not that tend again to make exchange fall away?—Certainly.

6374. And if the exchange were to be kept at 1s. 4d. that would have to be followed by a fresh contraction of the currency?—Yes, we should have gone from bad to worse.

6375. Which would injure trade and lead to a further fall, and the thing might go on indefinitely?—Yes.

6376. And the result would be the destruction of India's trade altogether?—Yes, there is no doubt of that.

6377. (*Mr. Le Marchant.*) You were alluding to some illicit rupees. Do you know if the writer of the letter you refer to took the rupees to the Mint to be tested?—I know that illicit rupees have been taken to the mints, and they could not distinguish the illicit rupees from the real rupees. They have at the mint either to use a magnifying glass to find them, or to melt them, because, in the case of some of the rupees that are sent, there is a certain mixture of zinc with the silver, whereas in the real rupees there is no zinc; in some of the illicit rupees there are signs of zinc.

6378. Do you say that some were found by the Mint to be illicit, as containing, when melted, an admixture of zinc?—That is what I was told. But it is known as a fact that when the banks receive rupees to be shipped away to Colombo, Mauritius, and so on, there is always a proportion of illicit rupees.

6379. (*Mr. Campbell.*) A few?—A few. I have reason to think that at the seaports there are not many illicit rupees, but it is in the interior where they cannot be detected. The temptation is very great. There is the difference between 16d. and 10d.

6380. (*Mr. Le Marchant.*) I was asking as to the particular evidence showing the fact?—The Government knows that there are illicit rupees in circulation. Every one knows it in India. Some coiners have been caught at Bombay recently, and also at Lahore.

6381. I think the evidence of Mr. Harrison was that the mints had practically found no illicit rupees?—The coiners were caught both at Bombay and Lahore. If there were not illicit rupees in circulation there could not be coiners to be caught.

6382. (*Sir F. Mowatt.*) On the other hand, if the coiners are caught, there will be no more illicit rupees in circulation?—If they were all caught; but, of course, you do not catch them all.

6383. (*Sir A. Dent.*) Do you know of any prosecutions?—There was a prosecution in Bombay. It was in all the Indian papers. The Lahore gang was much more important.

6384. (*Mr. Le Marchant.*) You may be alluding to some Farrukhabad rupees that were mentioned here the other day, 60,000 of them?—That was in Bombay, yes.

6385. But those are not current rupees?—No, but you can make Farrukhabad rupees equally well as rupees of India.

6386. My question was whether any had been discovered and had been tested, and proved to be illicit?—Certainly. Every bank will tell you that when they get rupees, in what they get they always find some illicit rupees—some rupees which are considered to be illicit. They cannot detect all of them. I have no doubt that we send illicit coins into the interior; we cannot distinguish them. I have seen at the club an illicit rupee and a genuine rupee side by side and it has been impossible to distinguish them. And there is this curious thing. Last year it was said that there were rupees in circulation of the year 1846. It was said that those rupees had been taken from hoard and put into circulation. Afterwards they discovered that those rupees were all illicit rupees.

6387. You were mentioning that lower prices were accepted by the native producers for produce because of the stringency?—Certainly.

6388. And at the same time that owing to the higher sterling price on this side, producers were getting relatively high prices?—Certainly. What I mean is, and as you are a merchant you will understand it very well, that when the sellers of produce are obliged to pay 20 per cent., and they have a good deal of produce, they are obliged to meet the merchants, and consequently the margin of profit is much greater when you have a stringent market than when you have an easy market.

6389. But, in the result, were the prices paid higher than usual. Perhaps your meaning is that they were lower than could have been obtained with an easier money market?—Certainly. Look at the high prices here. Karachi wheat went up from 29s. 6d. to 46s. Of course, that being so, you can give to the native much higher prices in rupees; but what I mean is, that, though the natives got from the merchants high prices, if the money market was not so stringent and they were not obliged to part with their goods, they would have done better. You know very well that the competition is so great in India that we are satisfied with a little profit. We cannot get big profits in India, it is impossible; but when you have a very stringent money market and a high rate of interest, those firms who have money and credit make a much better business than when money is easier.

6390. It is to the advantage of the capitalists?—Certainly.

6391. I think you said that a high exchange tended to check production, and that it had checked production?—I said that high exchange is bound to check production. That is self-evident.

6392. Did you not say that it had done so already?—In some articles.

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6393. Does the area under cultivation show a tendency to diminish?—I am not ready to answer that, but what I say is, if we had had low exchange the area of cultivation would have been very much more extended. This year the crop of indigo in the Doab and Benares will be very much reduced, because we have arrived at prices which do not pay the cultivator.

6394. There has been a fall in the sterling price of indigo as well?—Yes, but if you had a low exchange, that would have helped it to that extent.

6395. For the time being?—No. I say, if, instead of drawing at 1s. 4d., the indigo buyers could have drawn at 1s., it would have given to the cultivator of indigo 25 per cent. more.

6396. And you consider that applies to other countries as well where exchange falls?—In every country where exchange falls they can give in the currency of that country a larger amount.

6397. So that, for instance, Brazil benefits in that way?—I have a friend who does a very large business with Brazil, and he tells me that if exchange had not been so low they could not have exported all the coffee. As exchange has been low, they have been able to export a very large crop of coffee.

6398. You think that conduces to increased production there—not merely the mercantile export, but the absolute production of the country?—You mean if the exchange is 7d. in Brazil?

6399. Yes, or lower?—As long as the wages are paid in a certain currency, and that currency is accepted by the people, then as long as the Government is not insolvent, it does.

6400. And you hold that those conditions are likely to continue—that wages are likely to remain low?—Where?

6401. In Brazil. I ask that because you have stated that, so long as certain conditions held good, production might be assumed to remain as it is, or to increase. Of course, the question would arise whether those conditions would continue?—I cannot be expected to say that if Brazil gets insolvent it will be good for the country.

6402. You were mentioning Russia. How has production been affected there by the gold standard?—It has increased of late years, but they have not the real gold standard in Russia yet.

6403. But the rouble is maintained at par?—Not at par. It is much lower than what it was. The par was 38 pennies some years ago. Now it is 26 or 27 pence.

6404. But that is maintained?—Yes, with fluctuations.

6405. With regard to the price of the Indian 2½ per cent. sterling loan. You were alluding to the price at which the issue now being made may be taken, and you mentioned 88½?—Between 88½ and 89.

6406. You referred to the difference between that price and the price in 1896, which, for a short time, was about 103?—It went as high as 104. The loan was issued at 103 and it went up to 104.

6407. And that difference you regard as the measure of a fall in the credit of the country?—Yes.

6408. Has there been a similar fall in the sterling 3 and 3½ per cents.?—The comparison I made was this: Consols in 1896 were 113; Metropolitans 2½ per cents., 106½; Indian 2½ per cents., 103; London and North-Western 3 per cents., 124. Now, Consols are 111½; Indian 2½ per cents. are 88½; Metropolitan 2½ per cents. are 99; and London and North-Western 3 per cents. are 119. What I say, then, is that the Indian credit, measured by those prices, has very much deteriorated compared with other similar securities.

6409. Do you also take into account the Indian 3½ per cents. and 3 per cents.?—I have not examined the Indian 3 per cents. and 3½ per cents. What I wanted to explain was this: Indian Government now makes its loan at 2½ per cent.; well, what was the price of a similar loan issued in 1896?

6410. I observe from the return that Indian 3 per cents. varied at that time between 113 and 115½—let us say 114, as a middle price. They are now a little better than 107. The difference there is practically the same as in the case of the London and North-Western 3 per cent. Debenture Stock. Do you not think that that points to some circumstances of the market?—But you have the test now, the 2½ per cents. You can test the market by issuing a loan; that loan will be taken at 88½ to 89—I do not know whether it will go to 89. Two years ago it was 103 and 104. That is the test. As to the other loans, well, you are not issuing a loan now at 3 or 3½ per cent. in order to test the market.

6411. May not the market price be affected by circumstances such as the amount of existing issues or the extent to which they have been placed in the hands of investors?—The credit of the Indian Government is what they will get to-morrow.

6412. But there may be a difference in the market for one loan and the market for another?—But the same remark applies to 1896–97, when you got 103 and when you got £6l. 15s. The same remark applies to all. Every time you issue a loan it is a new loan. It was a new loan in 1896, when the price was 103, it was a new loan in 1897, when it was 96l. 15s., and for what you got at 103l. in 1896, and at 96l. 15s. in 1897, you can only get at 88½ in 1898.

6413. Apart from that issue, the price the other day was about 91?—Because the issue had not taken place then.

6414. The difference between the 91 and the 103 or 104 you take as the measure of credit?—You could not have sold at 91—the price was nominal, and for a long time past you could not sell the 2½ per cents., there were no buyers.

6415. But as to the 3 per cents. Would you admit that it was possible to sell them at a less difference from their quoted price?—I have not made inquiries about the 3 per cents. The only Indian loan about which I made inquiries was the 2½ per cents., because we have the intention to apply for some, and we wanted to be posted up about the 2½ per cents.

6416. Would you view the 3 per cents. as any test?—In my case the 2½ per cent. was quite sufficient.

6417. In speaking just now of exports and imports, you made some remarks as to a connexion between net exports and exchange. Now, taking exports alone, is the amount larger in years when exchange is low, and *vice versa*?—That is a question which nobody can answer, because the export depends not only on the rate of exchange, but also on the crops. If you have large crops, you are likely to have a larger export. If you have short crops, you will have lesser exports. But what I mean is, that when the exchange is low it favours exports, increases the cultivation, and must increase the exports, and you will have in the long run larger exports. It is quite misleading to draw conclusions from statistics, proofs drawn from statistics are sure to be wrong somewhere. For instance, 1891 was a very large year, and we had the high rate of exchange. Why? Because we had an immense demand for wheat here, and very high prices.

6418. In fact there are a great many conditions apart from exchange?—Certainly.

6419. (Sir F. Mowatt.) Are there any other observations you would like to make in addition to the evidence you have already given?—I have a great deal more to say, but I am exhausted.

The witness withdrew.

Adjourned.

FOURTH DAY.

July 12th, 1898.

PRESENT :

THE RIGHT HON

MR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

The LORD BALFOUR OF
Sir JOHN MUIR, Bart.
Sir FRANCIS MOWAT, B.
Sir DAVID BARBOUR, B.S.I.
Sir CHARLES CAMPBELL, B.AITE, K.C.S.I.
Sir ALFRED FLEMING, C.M.G.

Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

Mr. HENRY LEWIS RAPHAEL called and examined.

*Mr. H. L.
Raphael.*

12 July 1898.

6420/ (Chairman.) You are a foreign banker and your address is 25, Throgmorton Street?—Yes.
Q. How many years have you been in business?
A. Close upon 50 years.

6422. We want to hear your opinion upon two or three points which are before us for inquiry. In your business have you a large connection with the Indian trade?—No, I have not.

6423. With Indian banking?—With all kinds of banking except Indian banking. I have an intimate knowledge of the precious metals and their use, and in fact a practical knowledge of business, more practical than theoretical.

6424. Do you recollect when the Mints were closed in June 1893?—Yes.

6425. Will you tell the Committee what was your opinion as to that course?—It appeared to me that the closing of the Mints was the result of fright occasioned by the cessation of the purchases in America of silver. The exchange, I believe, at that time was 1s. 2½d.; it had declined a few previous months from a somewhat higher level. It was thought that the rupee might decline to 1s. or below. It appeared to me completely the result of fright, because during the decline of silver which began in 1873 till the Mints were closed, the Government of India had been able to pay the increased charges for remittances to England, and yet found that they had had on average surpluses rather than deficits. I believe I am correct in stating that this was so, from 1873 to 1893.

6426. Will you repeat what you said about deficit or surpluses?—I say that on an average the surpluses and deficits almost balanced each other, or if anything showed surpluses. Owing to the increased trade and the prosperity of the country the taxation had been so much greater that the Government could meet the enormous increase in cost of remittances to England. When the Mints closed there was a sudden fall to be faced from 1s. 2½d. to 1s. I will say 1s., perhaps it might have gone lower. That of course would have necessitated fresh taxation of say about 6 crores of rupees. The fall in exchange benefited whom? Only the owners of the land. There is no doubt about this, that if the exchange went from 1s. 3d. to 1s. the owners of the land would have sold their produce for gold and that gold would have been worth in rupees 20 per cent more. Therefore upon the owners of the land should have fallen the Government loss owing to the altered state of the currency. I am quite aware that the land tax is fixed for a certain number of years, but the first thing of importance is that the Government should pay its way and if the taxation had to be raised it should have been raised from the landowners. If the Government of India had been far-seeing, as soon as they saw that silver was declining and declining constantly,

if they had insisted that the land tax should be fixed in pounds sterling but payable in rupees at the exchange of the day, or say at the exchange of the last three or six months, the Indian Government would then have been totally independent of the fall of the rupee whether it went to 1s. or 11d. They would have received so many more rupees from the landowners which would have compensated for the loss in exchange.

6427. Do you mean by that that you think the Indian Government should have raised, say, the land revenue? Taking it that on a certain portion of land the revenue is 50 rupees per year, and that that was fixed when the exchange was 2s., or say 5*l.* a year. Suppose the exchange had fallen considerably, do you mean that you would have raised the rupee rent?—It would practically have amounted to raising the rent. If the tax had been 500 rupees, fixed at, say, 2s., that would have been 50*l.* If the rupee had gone down, say, to 1s. 4*d.*, it would have been 750 rupees that would have had to be paid instead of 500; and, after all, it would have been no loss to him, because he would be selling his produce at 50 per cent. higher. If his produce were worth 1,000*l.* when the rupee was 2s., he got for that 10,000 rupees. For that same produce, if the rupee had gone to 1s. 4*d.*, would not he have got a third more rupees?

6428. But is not there the difficulty that the Indian Government have practically entered into a contract? It is like a lease; they have let the land to him upon payment of so many rupees per annum; and it would seem to me, and I suggest it to you for your consideration, that they are not at liberty either to raise that rent as against the tenant, or lower it as against themselves?—I know that, comes to this. You may say that stopping the mints and artificially making the rupee 1s. 4d., is a bad contract with the country. The question is, is it a certain arbitrary and despotic measure has been taken. The Government of India could have closed the mints and raising the rupee to 1s. 4d. Now, was it more judicious to do that, or to let those people who are benefiting by the fall of the rupee pay the extra taxation in spite of the contract which was entered into? The existence of that contract is of paramount importance. The Government of India is also of paramount importance. The amount of its debt is not small. You must remember that as the tax is raised to 2s. it is a most unfair tax. The land is valued, and the Government and the landowner, half the profit goes to the landowner. It makes all the difference whether the rupee was taken when the exchange was at 2s. or when it was at 1s. 4d. The man whose land was worth 100 rupees at the time the rupee was at 2s. has an enormous advantage to-day. But the Government ought to have raised the revenue?—Yes.

What the Government ought
to do?—Yes.

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6430. Now what is the next point?—The loss on the depreciation of the rupee had to be made good somehow or other. The landowners were being benefited by the fall of the rupee and it was for them to make good the loss.

6431. (Sir F. Mowatt.) Do you suggest that the rent should have been immediately increased, or increased at the end of the lease in the case of each contract?—I say that if originally when silver began to fall the Government had decided that the land tax should be fixed in pounds sterling, but payable in rupees at the average exchange say of the last three months or the last six months, the Government would have been in a perfectly independent position if the rupee had gone down even to 10d.

6432. (Chairman.) Would not that be practically establishing a gold standard at once?—I think not. The Government had to provide for a certain amount of gold payments, and out of that taxation they would have secured sufficient to do that, whatever the exchange went to.

6433. Now, that not having been done, what do you think of the policy of the closing of the Mints in the state of things that existed in 1893?—By closing the Mints the Government has to a certain extent taken upon itself the future currency of the country. If you look at other great countries, England, France, Germany, &c., currency arrangements are totally independent of the Government. The position of the Government is to get in taxation, and to see that it gets sufficient, but not to regulate the currency. The Indian Government, destroying a currency which had proved itself most suitable to the country for a great many years—a currency which perhaps is not in itself as good as gold—by destroying it without putting in its place anything, practically took upon itself to keep the rupee up to 1s. 4d., not by natural economical laws but by the sheer strength and credit of the Government.

6434. You say it is no part of the duty of Government to regulate the currency of the country. Who demonetised silver in Germany?—The Government only altered the currency, but had nothing to do with its management. Out of the war indemnity, which amounted to a very large sum, they devoted a certain portion to defray the loss in selling a portion of their silver, and acquiring an amount of gold. That done, the German Government had nothing further to do with the currency.

6435. Did they not fix the rates, and what was to be the value of all the coin in the country?—The price of gold was fixed in all the great countries at that time. In France it has been the same ever since I have been in business, nearly 50 years.

6436. Is not the French currency very strictly under the control of the Government?—No.

6437. Is it not under the control of the Bank of France?—Yes.

6438. But the Bank does not make its own laws?—It does not make its own laws, but the law being made it carries it out. In England the terms upon which specie payments were resumed under Sir Robert Peel's Act were defined, but it was left to the Bank of England to carry out the law.

6439. You are referring, I gather now, to the daily working of a currency which had been previously called into existence and enacted by law?—Yes.

6440. Then do you think that the closing of the Mints was injurious to India?—I think the closing of the Mints has been highly injurious to India. In the first place it has deprived it of its currency. You must acknowledge the great increase of production and prosperity in India since silver has fallen. That is not entirely owing to the fall of silver, because the opening up of the country by railways must account for a great deal. Nor can you take the actual figures of the exports as showing the entire increase of trade. The exports have doubled since silver began to fall in 1873; but you must consider that those exports are expressed in rupees and not in sterling. If the exchange had remained at 2s., it would not have

represented so many rupees. So that you cannot say that the trade of India has doubled, although the amount of rupees representing that trade has doubled. Still there can be no doubt that India during the decline of the price of silver went on increasing in prosperity and its trade increased. Now comes the closing of the Mints and the subsequent raising of the rupee to 16d., to effect which a continuous stringency in the money market was necessary. Now I ask you, suppose in this country the Bank of England were to keep up the rate at 10 per cent. and everybody knew that, if it eased off during the summer, there was the 10 per cent. rate waiting for them in the autumn, what would be the state of trade and prosperity of England?

6441. Then under those circumstances are you in favour of the re-opening of the Mints?—Decidedly, if it is possible. When I say if it is possible, I mean if the Government of India are able to levy extra taxation equivalent to the loss on exchange. To-day the exchange is 1s. 4d., and assuming it went to 1s., the Government would have to find 8½ crores of rupees extra revenue.

6442. The loss on exchange last year at a rate of 1s. 2d. was 12 crores. When it was at 1s. 1d. the loss was 14 crores?—I am not speaking of the loss, but the extra loss. I am taking it to-day at 16d. It requires 25½ crores of rupees to pay the 17 millions of debt. I say that if exchange went to 12d. it would require 34 millions. Therefore necessarily there would have to be found 8½ million rupees to pay the loss consequent on a fall from 16d. to 12d.

6443. (Sir D. Barbour.) Of course there are other charges. There is the pay of the British soldier and exchange compensation to be allowed to British officials?—That makes it worse.

6444. (Chairman.) You thought that extra taxation to the amount of 8½ to 9 crores would be sufficient. I am pointing out to you that it would have to be 14 or 15 crores?—14 or 15 crores; and the land tax at the present day is what?

6445. In 1897 the net land revenue was 29½ crores?—I was under the impression that half the taxation was raised by the land tax.

6446. What your opinion comes to is this. You think that the Indian Mints should be re-opened if possible, and the condition of possibility is the power of the Indian Government to impose fresh taxation amounting in round figures to 14 or 15 crores?—Precisely.

6447. Now, will you tell us what your opinion is of the plan proposed by the Government of India?—The Government scheme is that of continually squeezing the money market—as I said before, not for once, but incessantly—for the purpose of maintaining an exchange of 1s. 4d. They perceive that as soon as money gets cheap after the shipping season exchange goes down. In chapter 23 of their report the Government admit that the annual payment of 16 or 17 millions sterling has to take place in exported produce, but not a word is said of the effect on trade which this constant tightening of the money market will produce. It appears to me that the Government is practically indifferent to all considerations other than maintaining exchange at 16d. No doubt they could do it for the time being by squeezing the money market, but it would be at the cost of the prosperity of the country. The whole scheme of the Government is in my opinion so inadmissible that it appears waste of time to pick it to pieces. They say in chapter 21, "If we do what we want we shall then have practically a currency similar to that of France." Can anything be more absurd? The French have practically a gold currency. The 40,000,000 sterling of silver at the Bank of France will lie there perhaps till doomsday, but if it were thrown in the sea France would not be the worse for it.

6448. What is the circulation of silver in France?—It is difficult to estimate. Probably a milliard and a half, or sixty millions sterling. In France no great

abundance of 5-franc pieces are in circulation. The circulation is carried on partly in gold and partly in notes of the Bank of France to the extent of about three and a half milliards, but there is no superabundance of silver. When you buy anything you do not receive a lot of 5-franc pieces in the way of change. Practically, France has a gold currency.

6449. As a banker, suppose you drew a large cheque on the Bank of France, are they bound to cash it in gold?—No.

6450. Would they cash it in gold?—No.

6451. They would make you take a certain quantity in silver?—The Bank of France has, of course, accumulated this amount of gold by very careful management. Further, the result has been caused by the immense wealth of the country, and the enormous amount of money which foreigners bring in every year. They have accumulated this gold without being under the necessity, like other countries, of raising large loans. If there arise any great demand caused, for instance, by a short harvest, the Bank of France is always ready to give gold, but if they can get a premium they do not give it at par. For all practical purposes anyone who has a bill on France can, within $\frac{1}{2}$ per cent. or $\frac{3}{4}$ per cent., reckon to get payment in gold. What has the Government of India got when it carries out this plan? It gets a bi-metallic currency which everybody knows no country can maintain. The silver is sure to drive out the gold. It might be asked, why does not it do so in France? The answer is because France is in such an abnormally favourable position. It is a creditor country; it holds an enormous amount of foreign securities. The amount of Russian loans alone is said to be something like 120 or 200 millions sterling; in fact they are, like ourselves, a large creditor country. It is the pleasure ground of Europe, and foreigners spend enormous sums. Now for the Indian Government to say, "We shall be in the position of the Bank of France," is absurd. If they were in the position of France there would be no necessity, I am sure, for you gentlemen to be considering the currency question.

6452. Have you any other criticism to make on their scheme?—I thought the proposed plan of tightening and squeezing the money market so objectionable, that it was useless to urge other objections. I consider their scheme would be impossible to carry out.

6453. Now do you think a gold currency is feasible in India?—I do not.

6454. Do you think a gold standard is feasible in India?—A gold currency means that all payments are made in gold, and that silver is confined to token money. If anyone defined a gold standard it would be that gold is the standard of all value, and that silver acts as a token for the payment of small amounts. That being so, the Government would have then to reduce the amount of silver in circulation. I believe it is placed at Rs. 120,000,000 or Rs. 130,000,000. That of course would be much too large an amount for token money. If Rs. 120,000,000 or Rs. 130,000,000 suffices to carry on the trade of the country now, token money of that amount would be much too large. The first thing they would have to do would be to reduce it. India would require a very large token currency on account of the smallness of payments, and I should think, perhaps, you may reckon that a third of the silver currency would have to be withdrawn. To do this they would have to find the money by loan. To say that the value of silver would be a partial set-off is, I think, very problematical. The Government say 180,000,000 of silver is produced annually, and to sell another 30,000,000 would make very little difference in the price. But they speak without experience. The smallest amount for which there is no requirement has an extraordinary effect on a market. You had recently a rise in wheat of 50 per cent.; then if you make a rule of three sum you would say there must have been a deficiency of 50 per cent.; nothing of the kind. It was the smallest amount of deficiency

from now to the next harvest that brought about the rise. If the Government think that they can dispose of any amount of silver they are mistaken. The fact of the smallest amount of silver coming from India to this country to be sold would paralyse the silver market, and it would be impossible, or practically impossible, to sell it. Besides providing a large sum of money for the redemption of the token money, it would be necessary to acquire a gold reserve. When you come to the question of reserve it is a very difficult matter to say what would be sufficient; but assuming a moderate amount, say 20,000,000*l.* sterling, and adding to this another 10,000,000*l.* sterling for the loss on token money, there would be 30,000,000*l.* sterling to be borrowed; an operation which I think would be a most difficult one to carry out. It could only be borrowed in England, because other countries are not in the habit of investing in Indian securities. In my experience the price at which an Indian loan could be issued for anything like 30,000,000*l.* would be low. Of course, they would not issue the 30,000,000*l.* all at once; but still that 30,000,000*l.* would be required, and the effect of issuing it in instalments would perhaps be greater than if the 30,000,000*l.* were issued at once. If it were known that every four or five months there would have to be a loan, the capitalist class would abstain. Then supposing this difficulty were overcome, and the money found, there would be the question of hoarding. The hoarding that takes place must be taken into account; it is not an imaginary thing. In this country the savings go into savings banks and investments, but in India I believe that is not the case. All the profits they make, and what they save, go into ornaments if not into actual hoarding. The hoarding naturally would not take place in token money, but in gold. Perhaps you may fix the legal tender at 10*l.* as against 2*l.* in this country; you might do that in India, but it is not natural that any man will take a depreciated silver coin when he can get a gold one. Suppose you and I were hoarding, we should not put our money in shillings and half-crowns; we should put it into pounds sterling, which is worth a pound sterling all the world over. For this reason you cannot say what amount of gold would be required. It would be a constant drain; it would not only affect the English money market, which is after all a consideration for the Indian Government, because England is a large absorber of her produce—

6455. However, you think it would be an impossibility for the reasons that you have stated with reference to the amount of money it would cost to do it?—Yes.

6456. Now will you tell us your views on the gold standard without a gold currency?—It appears to me that if a gold currency is impossible, and a silver currency is, if not impossible, yet in view of the enormous amount of extra taxation, practically so, the only substitute is a gold standard; that is to say, the Government taking upon itself, with all its resources and all its credit, to maintain the rupee at the price it may determine, which for argument sake we will take to be 1*s.* 4*d.* I have seen Mr. Lindsay's scheme. All schemes of a gold standard without a gold currency must be on somewhat of the lines of Mr. Lindsay's scheme, but what I do not like about it is the withdrawal from time to time of the silver. He would be constantly withdrawing silver, selling it, and then when money was dear again coining it. I believe the currency in India is none too large; for many years 3½ crores of silver was coined and went into circulation. In 1893 so many rupees came out from different parts of the world and from hoards to be exchanged for bar silver that for the moment it added to the currency of rupees in India; but I believe as the population grows up and as India increases in prosperity, and as her trade increases, it will not only be undesirable to decrease the silver circulation, but it will be expedient to increase it. Therefore, I am against any system which decreases the silver currency.

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Raphael.

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Raphael.

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6457. But that is not an essential part of his scheme, is it? If I recollect rightly, he only brings it into operation "if the gold standard reserve should decrease to apprehension point, that is, show a likelihood of becoming exhausted." However, that is the danger that you apprehend—that it would contract the silver currency?—If you contract the silver currency there will not be sufficient currency.

6458. But that is the danger that you apprehend from Mr. Lindsay's scheme, that it will involve contraction of the currency?—Yes. I believe it is a mistake on the part of Mr. Lindsay that a large amount of silver could be sold. If, for instance, the reserve should get dangerously low, it is a fallacy to think of sending to England a large amount of silver to be sold, because it could not be sold. As I said before, all these schemes must partake more or less of the same character; that is to say, a large reserve of money and the whole credit of the Government to support it. Before I knew of Mr. Lindsay's scheme, I had a plan which, if you like, I will propound.

6459. Yes, I was going to ask you whether you had any alternative system. We shall be very glad to hear that?—My plan was as follows:—That the Government of India shall through an office, but practically the Government, always buy and sell transfers in England at 1s. 4d., but in either case charging $\frac{1}{2}$ per cent. commission. By this means exchange would be fixed and banks and others would not have the fear of loss on exchange if in the active seasons they drew their money over from England. In fact, I think it is very questionable if a bank would think it worth its while to pay the two $\frac{1}{2}$ per cents. in returning to England and getting it out again. In fact, it would establish a fixity of exchange. The Government in London would have to fix 1s. 4d. as the minimum at which they could draw, otherwise the banks would make a profit out of the Government. There is no doubt that in the dead season the Indian Government in London would not be able to sell its bills. During that period it would have to make transfers, to take the money from the Government account and make transfers from the currency account. There must be a reserve held in England. I should say the reserve should take the form of a credit to issue from time to time up to 15,000,000*l.* of Treasury bills. If those Treasury bills were English Treasury bills it would be much the better. I fear there might arrive a period when it would be no easy matter to dispose of this amount of India Treasury bills. I do not think such a large amount would ever be required; but still there may be a time when a very large amount might have to be issued. If you could get the English Government to allow the issue of their own Treasury bills it would make the plan very much more feasible. Furthermore, I would have at the Bank of England a sum of 5,000,000*l.* of gold to be acquired by degrees. I do not say that this 5,000,000*l.* of gold is essential to the scheme, but it would give an extra amount of confidence, and it would be a protection to the London money market. If money were very tight in London from some cause or other, and the state of credit was not what could be desired, it would be a great thing to have this 5,000,000*l.*, which, in ordinary times, should be kept separate. When needed, it could be transferred to the issue department, relieving the money market. On that ground I think it would be very advisable to have the 5,000,000*l.* of gold. As I said before, I would not recommend the curtailment of the present silver currency. If things go right in India, that is to say, if this currency question gets settled, and trade is not hampered by dear money markets, as the prosperity of the country increases, I feel confident that you will be obliged to add to the silver currency. Of course it will require to be done with a great deal of judgment, and I should propose that the Government have the power to do it, and that any profit which arose from that operation, which would be considerable, should be set apart in gold as a reserve. If, for instance, one crore of extra silver were required each

year, at the end of 20 years this reserve would amount to a very considerable sum. Then again, as to the success of such a scheme. It cannot be said that it is a perfect system of currency; in fact it is no system of currency at all; is is a substitute for a position where a currency in either of the metals has been found impossible. What can occur if you have a credit of 15,000,000*l.* in Treasury bills here, and 5,000,000*l.* of gold, that is 20,000,000*l.*? That at 1s. 4d. would be 30 crores of rupees. To absorb that 30 crores of rupees, this amount must go out of circulation in India. Is it likely that 30 crores could be spared out of 130 crores? Therefore I think that the scheme has a fair chance of success. Mind you I do not admire the idea of a gold standard without a currency, but it is only an alternative scheme when an actual currency either in gold or silver has been found impossible. I had, for a considerable time, doubts whether the scheme might not break down in the event of a war or a mutiny, looking at the worst state of things that could happen in India—but after reflection it occurred to me that at those times money has always poured into India for the payment of troops, &c. Therefore I do not think we need take into account any extraordinary state of affairs in India. I think that under a normal state, this plan would work fairly well; but the Government of India, with the assistance of the English Government, must support it with its entire credit.

6460. At all events you think it would produce a stable exchange?—I think it would.

6461. And do you think that would be an advantage to the trade of India?—I think it would be an advantage in this way—that banking money could safely go to India. At present the banks are working, not with their own capital, but with their deposits, because they fear the loss by exchange. I think it would induce other people also to send money out to India.

6462. It would increase in that way what is called the loanable capital in India?—Yes, the loanable capital would be increased. Eighty per cent. of the trade of India is with England, but as for the 20 per cent. of the trade with China and other silver-using countries, you cannot get over the disadvantage which India will be at with those countries. It is impossible to get over it except you have a silver currency, and then, of course, they would all stand on a par. As to the trade with England, which is 80 per cent. of the total Indian trade, it would be a great advantage to have a fixed currency. Banking money would go out there and by degrees other money. And moreover, bankers, if there was a great stringency in India, could use their London credits, which they are afraid to do now.

6463. (Mr. Campbell.) First of all with regard to a gold currency, I think you say that that is impracticable, because the silver would drive out the gold?—Do you mean a purely gold currency?

6464. To have gold as the standard currency and silver as the subsidiary currency?—No, I did not say that. I said if you have the double standard, it would have that effect, but if you make silver token money, that is another thing. I say that in the latter case all the hoardings would take place in gold; no one would hoard token money when he could get a real coin.

6465. Would not that depend to some extent upon the ratio fixed between the two metals?—I do not think that would make any difference. You mean whether it was 1s. 2d. or 1s. 4d.

6466. Whether it was 15 or 16 rupees to the sovereign?—I should think the principle would remain the same. As to fixing the ratio at 1s. 3d. or 1s. 4d. there is a good deal to be said pro and con. If you fix it at 1s. 4d. it is so much the better for the Indian Government, and it is continuing a policy aimed at since five years. That policy is practically what I propose now. That policy has till now not been successful owing to the uncertainty of the Government. On the other hand, there are advantages

in 1s. 3d. This rate would enable India, as a silver country, to the extent of the difference between 1s. 3d. and 1s. 4d., to compete with silver countries, and it would be nearer to the silver value of the rupee, although very far from its actual value.

6467. I think you spoke of India as a debtor country?—Yes.

6468. Of course, you are aware that India, although a debtor country, has hitherto always paid her debts, and not only paid her debts, but has a considerable surplus to get back, which she has taken year by year in the form of gold and silver?—Yes.

6469. I do not know whether you know about the average amount which India takes every year in the shape of gold and silver; it is somewhere about six millions sterling?—Yes.

6470. During the time that the mints were opened she was able to take as much gold and silver as sufficed not only for currency purposes but for hoarding and for other uses to which gold and silver are put?—Yes.

6471. Is there any reason why with a gold currency and unfettered trade she should not be able to do so still?—With a gold currency?

6472. With a gold currency why should not she be able to take sufficient gold to supply her currency requirements and all other requirements?—That is returning to the old question about the gold currency. Firstly, if you have a gold currency which could only be kept up by a gold reserve of very large magnitude, and that raised by loans made in England, the effect on the London money market, would be very bad and Indian produce consequently would fetch in Europe a very much lower price than otherwise.

6473. If the rate were fixed low enough to induce gold to go out to India as currency in a natural way, do you think it would be necessary to raise large loans in order to form a reserve? I will explain what I mean. Last year India took close on five crores worth of gold—imported it—and it was all sold in the bazaar at a higher price than the Government offered. Suppose the gold price had been 16 rupees instead of 15 that price might have attracted it to the currency department?—I am not in a position to say because I do not know India, but I speak from general experience, that when people will have a thing, the dearer it goes the more anxious they are to have it.

6474. That is quite true, but the higher the price the more near you are to the point when people will sell it?—I do not think so. You have had the proof when the rupee went down to 1s. 2½d.; did the hoarders of gold show any desire to realise it?

6475. During 1894–95, when the exchange went down to 1s. 1½d. or thereabouts, they exported more gold than they imported?—They did that year, but to a very small extent.

6476. What I wanted to get at was this, whether you think that gold might be acquired without borrowing in the same way as Egypt acquires it?—I do not think you can compare Egypt and India. In fact there are no two countries that you can compare, all the circumstances are so very different.

6477. Egypt now takes annually three or four millions of gold during the busy season and re-exports a portion of that during the slack season. Might not India be in a position to do the same thing?—Have you not been trying it for the last five years?

6478. At a rate of 1s. 4d.?—But have you any reason to think that if you had fixed 1s. 3d. there would have been any difference.

6479. That is what I wanted your opinion upon?—My opinion is that it would have made no difference. All the countries that have returned to gold payment have either got large indemnities from war or made loans. Japan and Germany made the indemnities pay the cost of their standard, but Italy, Austria, the United States, Chili, all purchased gold, and we know with what results as regards some of them.

6480. Then with regard to your own alternative scheme, you propose that the Government should buy

and sell at 1s. 4d. with a margin of ½ per cent.?—Yes, I would not fix it large because I think it is better to allow free interchange of money and that would induce people to bring money out to India. Mr. Lindsay fixes his rate, I think, a great deal too high.

6481. You are alluding to the fact that the Government must sell about 17½ millions sterling worth on India every year?—Whatever it is: the blue book says 17 millions, if it is 17½ millions they will have to sell 17½ millions.

6482. For some years the Government have not been able to sell the whole 17 millions at 1s. 4d. When that occurred they would make a transfer from the currency department?—During certain months out of the shipping season I have no doubt the Government would not be able to sell their bills, but would have to wait till the shipping season commenced. Then I think from all the evidence we have of the balance of trade being in favour of India, there is little doubt that they would sell them. If not one month in another.

6483. Suppose for some reason they did not?—Then they must fall back on the reserve, but 30 crores out of the 130 crores in currency would have to go into the Treasury in India.

6484. By your scheme you propose to commit the Government to maintain the exchange at 1s. 4d.?—Yes.

6485. Do you think that is not a heavier burden than the Government could undertake with propriety?—It is a sort of Hobson's choice. If you arrive at the conclusion that you cannot establish either a silver or a gold currency, you must do something; the Government of India has taken upon itself the burden of the currency and must maintain it.

6486. (Mr. Le Marchant.) You were speaking of the Government selling telegraphic transfers upon India at a minimum rate of 1s. 4d.?—I mean minimum in this way. They must not sell below 1s. 4d. It is quite possible that there may be such a demand in India that it might be worth while to pay the Government ¼ of a penny more than 1s. 4d., which would be equal to selling transfers in India at 1s. 4d. plus ½ per cent.

6487. If the cost is the same, is there any difference to the public between buying telegraphic transfers such as you describe and sending out gold? Would not the inducement or check in either case be the same?—I should say that the charges would slightly exceed ½ per cent. on sending gold; there would not be much difference, transfers would be preferred to gold.

6488. I wished to compare the principle of your plan with that of the system in force in Egypt under which gold does go out. Suppose, for instance, that gold were used as a marginal currency, would not the same inducement, that is to say, the expectation of being able to get it back at a profit, attract gold to India as well as lead the public to buy telegraphic transfers? Would not the same principle work in each case?—No, I think not. That is why I advocate no higher charge than ½ per cent. on the charge of sending gold out to India. If you fixed ½ per cent. very little gold would go. Supposing there was a demand for remittances on India beyond the amount the Government in London had to draw, it would have to send gold from London and would be guided by the circumstances of the moment whether to part with that gold or to turn it into silver at 1s. 4d. and so increase the currency in that way.

6489. It would be necessary to provide for an increase of currency in the event of capital going out in large quantities?—It provides for itself because the Government would have so much sterling that they would be obliged to bring the gold out and turn it into rupees there.

6490. You think that that would be simpler than letting the gold go by itself and act as currency?—You cannot judge of India as an ordinary country.

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should say that the Government hoarding the gold might very likely increase the tendency of the natives to hoard gold.

6491. If it did not pass into circulation?—If it did not pass into circulation, and if it passed into circulation it would be rather a dangerous thing too. But the present idea of the Government of India is not to allow it to pass into circulation. They seem to be of opinion that if it passed into circulation it would pass out soon enough. Therefore, they talk of keeping in this gold till they can safely leave it out. I am judging of the Indian population in the best way I can. If we were hoarders, which fortunately we are not, what should we do? We have to deal with a nation of hoarders, and if they see the Government hoarding gold it would be an encouragement for them to hoard gold I fear.

6492. And that you think is the main objection?—The locking up of 20 millions of gold there without any issue. That is the Government plan.

6493. But is that the main objection to gold passing into circulation?—People who have been in India can speak with a great deal more authority upon the characteristics of the natives than I can. I think that people given to hoarding, when they get an article which is intrinsically worth its full value, will hoard that article in preference to hoarding token coins. True they could do that to-day if they went into the bazaars and bought the gold, but all that involves a lot of trouble, it is much easier when they can go to the bank and exchange their rupees for gold.

6494. You referred to the unwillingness of capital to go out to India. I think you attributed that to the uncertainty as to the future—that the public could have no assurance as to getting their capital back?—I do not know whether the public would send much money out to India, but certainly the banks for many years past, owing to the heavy losses they made when the rupee first declined, have kept their capital over here, and they trade principally with their deposits. There is no doubt that, if they were confident that the whole credit and power of the Indian Government were devoted to maintaining the 1s. 4d. rate, their money would go out, and they would be able to use credits upon London. That would make a very important difference. Then again, I have no doubt it would attract money out to India from private investors.

6495. Is it your opinion that capital would be so attracted more than if the currency was upon a silver basis? Upon a silver basis there was uncertainty?—On a silver basis you cannot have the same fixity of exchange as when the Government fix the exchange; but I believe if it were possible to return to silver you would have a comparative stability in the price. We have perceived in the last year that the price of silver has varied very little—wonderfully little—and I should think that the variations would not be large.

6496. Still there would be a degree of uncertainty?—The exchange would vary with the price of silver. I do not think there would be the variations seen in latter years. The silver market has been more upon its own basis for the last five years than it was when the price was declining, when America one day was buying up millions, and then afterwards selling it, or ceasing to sell. There is a thing which I forgot to mention, and that is this: If it were possible to open the mints, which, as I said before, depends upon the power of the Government to increase its taxation, there is a means of preventing exchange from falling to the full extent of the value of silver, and that is this: At the present moment the mints give mint notes. The amount of silver which the mint would coin might be limited, say, to 1 lakh or to 1½ lakhs a day. Then the Government might say we will take the first year in case it wanted to coin silver. Therefore, as soon as the mints were open, they would give a mint note for, say, one lakh at 366 days, and the next day at 367 days, and so on. That could be done, and it would limit at first the extreme

fall of exchange. But all this is done with the view of ultimately opening the mints freely. At any rate, the first fall might be broken to some extent, because people could send out silver and get a mint note which might be at 400 days. I remember, before the French closed their mints, I believe, the mint notes were up to nearly three years. It would prevent silver flowing in with enormous ease, but that is a detail afterwards to be considered. Of course, if the mints were open to-day and nothing of this sort was done, you can tell what the rupee would be; it would be 11d., but if you make the thing gradual you might establish an exchange of 12½d.

6497. Now with regard to any rate that might be fixed. You were speaking of 1s. 4d., as the Government propose. Among the conditions which contribute to determining exchange the sending out of capital would be a material condition, would it not; that is to say, if sterling capital is attracted by such a plan as you were mentioning, that would in itself tend to strengthen exchange?—Not if you fix 1s. 4d. Exchange will always be 1s. 4d.

6498. But it would tend to maintain it at that; it would be a favourable condition?—The more money that had to go out to India the easier it would be for the Government, and the more confidence they would feel of the success of the measure.

6499. In fact, the extent to which convertibility acted as an attraction would be in itself a new and a favourable circumstance. It would be a new condition to that extent?—As I said before, it would relieve Government of any anxiety about the success of their measure if they found that the number of drafts or transfers they buy upon England is greater than the number that they sell. It would be a proof that the country is getting on and can use money, and might lead to gold becoming naturally the currency of the country.

6500. In fact your plan would offer a new inducement to sending out sterling capital, and in that way would be bringing in a new favourable condition?—Certainly it would give India the advantage of more loanable capital.

6501. It would be a new condition favourable to exchange?—I am not sure that I understand what you mean.

6502. May we not view any plan that induces remittance of sterling capital to India as setting in motion a force which would tend to maintain exchange, so that, if that condition does not exist at present, such a plan would introduce a new condition favourable to exchange?—No, the Government undertakes to maintain exchange and will maintain exchange with all its power and all its resources. As I said before, if it attracts loanable capital to India so much easier will it be for the Government to maintain the exchange.

6503. (Mr. Hambro.) I suppose your idea is that if people want to buy more bills on India than Government has rupees in its safes, the Government should buy the silver and mint it?—No; my opinion is that the Government should buy in their discretion either silver or gold. I would take away from the Government the power to reduce the rupees in circulation.

6504. But if they had not enough to pay the bills?—If they had not enough to pay the bills that would be a proof that the country required more, and I should give the Government the power at its choice to send silver or gold. If silver were wanted, naturally the Government would buy silver and send it out as coin.

6505. You would grant the Government the right to do that?—Oh yes, and let it be known that the currency under no circumstances would be decreased.

6506. We have been told very often that there is no want of currency in India, but that there is want of loanable capital, and you say that loanable capital going out would do good. Can you tell me how loanable capital would get to any spot where the rate is 8 per cent. without more currency going there?—Loanable capital certainly could go out there if people

choose to run the risk of an exchange; it would not go if the risk in exchange existed.

6507. It would not go there unless there was more currency, would it?—Not to any large extent—not to an enormous extent.

6508. The Government, I understand, is to guarantee the whole operation; but besides that, it would have 5,000,000*l.* of gold put apart in the vaults of the Bank of England, not in their issue department?—Yes.

6509. I do not quite understand the next part of it. Would you provide that the Government of India should have power to tell the bank that they might put it into their issue department when they wanted?—Yes, if the demand for money here upon Government account came at an awkward moment, a moment of panic or dear money, and it were impossible or difficult to place Treasury bills. I would give the bank power—in fact it might be put into the law—that at any time the rate of interest exceeds in London so and so, the bank should have the power to add that 5,000,000*l.* to the issue department.

6510. (*Mr. Holland*.) I understood you to criticise the Indian Government for not having been far-seeing enough to make their land tax payable in gold and thus avoiding the loss by exchange. That would only apply to settlements that were made since silver began to fall, because you could hardly have expected Government to anticipate the demonetisation of silver by Germany?—As soon as the demonetisation of silver took place in Germany, and the continued fall was a matter of certainty—of course, it is easy enough to prophesy after the event, but I want to point out that if the Government had done such a thing, if it had made the land tax fixed in sterling, but payable in rupees at the rate of the last three or four months, the Government would be in a perfectly sound position, no matter what rate the rupee went to, and, if the Government should open the mints again, I think it is a measure that it might well entertain.

6511. You think in these currency matters that trade considerations ought to take precedence over exchange considerations?—I take the words of the Governor-General that they are aware that the payments of the 17,000,000*l.* must be made in produce, and everything that can be done to increase the amount of produce makes it so much the easier for the Government to pay its debt.

6512. In the suggestions of the Indian Government, do you think they give sufficient prominence to considerations regarding trades, do they not give more prominence to considerations regarding exchange?—They look at the exchange and nothing else.

6513. I understand you are in favour of re-opening the mints if it were practicable?—Yes, I am in favour of a country having a currency. Silver is a worse currency than gold; still it is a currency, and it is there.

6514. Then are we to regard your plan as being a step towards the re-opening of the mints?—What, the re-opening of the mints to silver?

6515. Yes?—I should think, if my plan were adopted, it would do away at once with all idea of the mints being opened.

6516. Then we may regard it as an alternative arrangement?—Quite as an alternative arrangement.

6517. And one that may be expected permanently to solve the difficulty?—I say the difficulty has to be solved and solved forthwith, and if you cannot have a gold currency, nor a silver currency, you must adopt some other alternative, and that is the only one I can think of.

6518. Then we may take it that you do not agree with those gentlemen who say that there is no alternative between the gold standard on the one hand with ample gold and a silver standard on the other hand with open mints. You do seek to provide by your scheme an alternative proposal?—Yes.

6519. (*Sir A. Dent*.) About the 5,000,000*l.* of gold that Mr. Hambro questioned you upon; could not that be kept on current account in the Bank of

England? I do not see why it should be put away in the way you suggest?—It is always as well to have a reserve, which will do away with the necessity of forcing the issue of Treasury bills in case of untoward circumstances.

6520. But with a current account in the Bank of England you can always pass a cheque upon it?—But it would be the same thing. This would increase the reserve of the Bank of England.

6521. That would not increase the reserve; it would be kept in the vaults?—But when it was brought back to the issue department I would publish it, and in a time of great difficulty the bank would determine not to issue the Treasury bills but wait till their reserve has increased.

6522. It would be a nest egg. Now, about the re-opening of the mints. Do you not think it would be possible for the Government to control altogether a re-opening of the mints, not to allow silver to be sent in by anybody, but to limit it and to keep it entirely in their own hands?—That would not be re-opening the mints; you would be giving Government power to increase the amount of silver.

6523. (*Chairman*.) The Government have that power now?—They have that power now, but they exercise a reverse power, or they want to exercise it.

6524. (*Sir A. Dent*.) That is so, but supposing money got very dear, say 8 or 9 per cent., then the Government, I suggest, might be compelled to coin the silver that was brought to their mints?—If the treasury there, owing to the demand for money to be drawn from London, were exhausted, the Government would be obliged to send out either gold or silver. If there was a demand for silver, and the treasury was exhausted they would send out silver and coin it. If there was a fair amount of silver in the treasury they would say, "Well, we will either send out gold or we will keep gold ready to send out," or if they found it expedient to put gold into circulation they could do that. I mean to say, events alter. You cannot legislate for futurity. There was only one man who ever legislated for futurity and that was General Washington. Of course things may change in India by degrees. You must leave something for discretion.

6525. I want to arrive at some process by which the Government should be compelled to coin silver when the presidency banks could not lend out money at a reasonable rate of interest?—They would not coin it at those times.

6526. Your scheme is like the Government proposal and like Mr. Lindsay's scheme in that it suggests an exchange of 1*s.* 4*d.*?—Yes.

6527. That consideration would not get over the difficulty that the planter complains so much of?—No, nothing can get over that difficulty. The planter has to compete with all the silver countries, and must have that disadvantage.

6528. You think that he must be sacrificed for the common good of India?—In everything, what is one man's food is another man's poison. You cannot get over that fact. We in England have difficulties to surmount in regard to protective tariffs and bounties.

6529. (*Sir C. Crosthwaite*.) In criticising the Government of India's scheme, you said that it was based on squeezing the money market or contracting the currency?—Yes.

6530. Did you allow sufficiently for the fact that they proposed to sell rupees to anyone who would bring gold, and therefore they have provided that method of increasing the currency?—I pointed out to you that no one will bring loanable capital to India, because, if they bring it when money is dear, they know they will lose in exchange more than they make in interest.

6531. Is it the fixing of the maximum or the apparent fixing of the maximum—because no maximum was fixed—is it that which you think would prevent their scheme from working?—The scheme that they have now is very much the scheme that I

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recommend. My scheme takes precautions for reserves in London; why their scheme does not work to-day is that the world does not know what the Governments ultimate plans are as regards currency. When it is decided what is to be done, there will be greater confidence.

6532. What is wanted is certainty and confidence?—Yes.

6533. As to Mr. Lindsay's scheme, the withdrawal of silver from the currency under Mr. Lindsay's scheme is automatic is it not?—I believe so. When there is an abundance of silver it is to be sent over to England to be sold, and when they find that that abundance is disappearing the silver is to be brought back. His scheme would be practically this, in certain months he would be melting silver and in other months he would be coining silver.

6534. As I understand the scheme, the silver is withdrawn from circulation when people buy bills on India?—Exactly.

6535. The melting is merely incidental?—No, he wants to turn it into gold. You can only turn rupees into gold by melting them and selling the silver.

6536. But what I mean is the withdrawal from the currency takes place automatically when the bills are brought, and that need not imply any danger point to the reserve which would induce him to sell silver?—Practically you will find, if the reserve were all absorbed and he were to send over here a million's worth of silver, he could not sell it.

6537. You pointed out the great prosperity of India during the term from 1873 to 1893, when silver was falling. Have you taken into account the fact of the great extension of railways?—Yes, I mentioned that.

6538. And the opening of the Suez Canal?—Undoubtedly. As I have stated before, the prosperity, although great, is more apparent than real, because, as the exchange declined, the exports being reported in rupees, there was a greater number of rupees. Still I think the prosperity of India in those years is generally acknowledged.

6539. You said the increased amount of produce makes it easier for the Government to pay its debts. That is obvious, but is it not necessary that the sterling money received for the produce should remain the same?—If the sterling price keeps up, of course it is good for the Government.

6540. And for the country; that is to say, a larger amount of produce might not pay the debt, if the sterling price had fallen very much?—No.

6541. Do you think that the low exchange has tended to lower the prices of Indian produce in the European markets; we have been told so by several witnesses?—I think it would be travelling into a big question if I were to attempt to answer that.

6542. (*Sir David Barbour.*) You have pointed out that between 1873 and 1893 the surpluses quite balanced the deficits in Indian finance?—Yes, I quoted you.

6543. Do you mean to deny that there were several financial crises between 1873 and 1893, owing to the fall in exchange; do you say that the Government had no difficulty arising from the fall in exchange during that time?—Yes, they may have had temporary difficulties, but this was over a series of 20 years. I did not say that they had surpluses at all times, but I say the balance was in favour of surpluses over deficits, taking the 20 years. I did not say that there were not some years when there may have been deficits, but I was talking of the average.

6544. You admit there were difficulties between 1873 and 1893 owing to the fall in exchange, or do you assert that no difficulties arose from the fall in exchange during that time?—Difficulties, I have no doubt, would arise. Difficulties arise to everybody during life, and they do not spare a Government; but I should not think it is owing to the fall in exchange.

6545. You think no difficulty had arisen from that cause?—A big fall in any one year will temporarily incommode the Government,

6546. I do not know whether you are aware that in 1893-94 there was a considerable deficit owing to the fall in exchange?—A previous deficit?

6547. No; a deficit in the estimates of 1893-94, the particular year in which the mints were closed. For the year 1893-94 the estimates showed a deficit owing to the fall in exchange?—Compared with the previous year?

6548. Taking the revenue and expenditure of that year and comparing them, was there not a deficit?—It will be found that in 1893-94 the exchange was lower than it had been in 1892-93.

6549. I merely ask you whether you are aware that the estimates for the year 1893-94 —?—I have not gone into the estimates.

6550. They may have shown a deficit, for anything you know?—They may have. I have only taken the best authority I could get.

6551. You say that between 1873 and 1893 the surpluses balanced the deficits. All I ask you is, whether there were any difficulties during that time owing to the fall in exchange?—I have no doubt there were. The Government would be temporarily in deficit owing to the fall of exchange in any one year.

6552. In 1893 there was what you call a fright, but what I consider a reasonable apprehension, that the stoppage of the purchase of silver by America might cause a further fall in exchange?—It would have caused it, undoubtedly.

6553. You have made a suggestion about the land revenue. I do not know whether you have considered the possible political dangers of fixing the land revenue in gold in the way you propose?—I am aware of that. Of course that is a political question. The danger of closing the mints was also great. Both remedies were dangerous. It was a choice of evils.

6554. You have no practical experience of India yourself?—No, only from reading.

6555. If any country over-issued inconvertible paper and wanted to get back to a metallic standard, would it be a reasonable course to reduce the over-issue of paper?—Of course.

6556. But might not that contract the currency, and produce great evils?—If it is not done wisely and carefully, but it has to be done.

6557. You said that if India had a gold currency the gold would very likely be absorbed by the hoards of the people?—As I said, I have no knowledge of India, but people given to hoarding will be more likely to do that.

6558. In that way you seem to apprehend that the gold currency would not last?—It would disappear.

6559. India had a silver standard and a silver currency, and in those days the people hoarded silver rupees. Why did not the silver currency disappear?—There was a constant accession to it. If you look back you will find that for many years there have been so many pounds sterling worth of silver sent out to India.

6560. You mean that as people hoarded rupees more rupees were coined?—I suppose so.

6561. If gold is hoarded, why should not more gold go out and be coined?—I daresay it would, but it would occasion a low price for Indian produce here. You cannot have in circulation gold and silver at the same time. People will take the gold, and they will pass on the silver, which is intrinsically worth 40 or 50 per cent. less.

6562. We have had evidence here that both gold and silver are in circulation in Turkey. I have no knowledge myself of the state of things there; I do not know whether you have?—No.

6563. We were told there was about as much silver as gold there in circulation?—But the Turks are not given to hoarding. In every country the habits are different. I should say from what I have read that India is different from all other countries.

6564. You went so far as to say that you believed that all the profits and savings in India are hoarded. Is not that going too far?—I mean practically. They

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do not buy Government stock to any extent. I think there is no savings banks business, or practically none.

6565. There is a savings bank in every post office?—That, I think, amounts only to about 10 crores.

6566. I do not know whether you are aware that, on account of the danger of holding so much money at call, the Government had to reduce the rate of interest so as to reduce the deposits in savings banks?—It depends on what their own stock yielded. I suppose that was only just as our own Government might find it necessary to reduce the rate of interest; they would not give $2\frac{1}{2}$ per cent. if they could only get 2 per cent.

6567. But in India there was another reason; that on account of the danger of holding so much money at call in a place like India, which is very different to England, the Government had to try to reduce the deposits?—That may be. The Government, of course, knew what was best to do under the circumstances.

6568. I do not want to press the matter too far, but do you not think it is much too strong a statement to say that all the profits made in India are hoarded?—I mean practically. The Indian people debar themselves from the ordinary uses of money which prevail in other countries.

6569. I do not know whether you are aware of it, but you may take it from me that there is a great deal of money lent by Indians?—I know there is, and there is a great deal of usury, I believe. I do not know whether you consider that a desirable state of things. I should like to know what the interest is in the interior of the country.

6570. Then you said that you think that if the Government hoarded gold the people would go in for hoarding gold?—I think, if they see a large hoard of gold on the part of the Government, it would be likely to encourage them to hoard gold.

6571. But do you not think that most people in India would not have the slightest idea what the Government were doing?—In many parts I am told that they do not know that the mints are stopped at all.

6572. The scheme you propose is very much the same as Mr. Lindsay's, is it not?—It is very much the same. As I said before, all these schemes must have a great deal of sameness. But I prefer fixing the difference between buying and selling sterling closer. I prefer it to be given out that the silver currency will in no case be curtailed, and that, on the contrary, if the Government find it necessary to increase it, it will be increased. I think that would have a tranquillising effect.

6573. You would have a branch or an office in India which would sell bills at 1s. 4d., charging half per cent?—Yes.

6574. What would you do with the rupees received for those bills?—They would go into the Treasury.

6575. But would you lock them up or put them into circulation?—A day might come, and would come in the busy season, when the rupees would be required.

6576. You would treat the rupees in the same way as Mr. Lindsay proposed, except that you would not melt them; you would keep them?—Precisely.

6577. You say you do not think that more than 30 crores would come out of circulation in this way?—If in a country like India the circulation is only 130 millions, it is very difficult to think that 30 millions could come out.

6578. But withdrawing money in that way, would it not be for the time being a contraction of the currency?—It would be an automatic contraction; it could do no harm. It goes into the Treasury when money is not wanted, and it would come out when money is wanted.

6579. It would be a contraction whenever the exchange tended to fall below 1s. 4d.?—Exchange could not fall below 1s. 4d. if the Government were pledged to maintain it.

6580. But tend to fall?—If you have no system by which you fix exchange, exchange is sure to fall when money is easy.

6581. And at that time the money would be taken out of circulation under your scheme and locked up? It would go into the Treasury when not required, and would leave the Treasury where it was required.

6582. But at any rate, at some particular time the money would be locked up in that way. You say it would be locked up at a time when it was not required?—It would go in and come out. When it is not wanted it would go into the Treasury, and when it is required it would come out.

6583. But except for the purchase or sale of bills it would not come out?—It should not be used for any other purpose.

6584. Do you think it possible to have an exchange of 1s. 2d. in India with a rate of discount at 12 per cent?—Under the present system?

6585. Under any system?—I should say it is possible.

6586. If your scheme were introduced, at such a time money would be produced to buy bills at 1s. 4d.; assuming your scheme were introduced?—Then you assume that you prefer to fix it at 1s. 2d.

6587. No, I merely ask, assuming exchange at 1s. 2d. and the rate of discount 12 per cent., and that your scheme was introduced at 1s. 4d., would not money be immediately produced to buy bills at the rate of 1s. 4d.?—I do not understand you. You would not fix the scheme till the exchange went to 1s. 4d.

6588. The question is purely hypothetical, of course?—You say, owing to some cause or other, the exchange went to 1s. 2d. and money was at 12 per cent., and that suddenly this scheme was introduced. But you could not do that. Why should you?

6589. You would not do it?—I should not do it then.

6590. In fact, the rate of exchange to be fixed under your scheme would be something like the normal rate of the day?—The normal rate of the day, which has been the talk of the last five years, as the rate to be fixed.

6591. Now, if your scheme of gradually working down to a silver standard were introduced, not allowing the exchange to fall the full extent at once, what do you think would be done with banking capital in India in the meantime; would it remain in India or would it be sent home? Suppose exchange is nearly 1s. 3 $\frac{1}{4}$ d. and people get to know that in the course of three years it would be down to 1s.? what would the bankers do with their money?—It is very questionable whether it would be down to 1s. You allow nothing for the rise of silver. Silver may rise as well as fall. You have taken no account of a possible rise of silver.

6592. But would there not be a tendency to remit banking capital from India if it were known that exchange was going down steadily for the next two or three years?—Undoubtedly, but I think after two or three years the exchange would be steady; steady at what point I am not prepared to say, whether 12d. or 11d., but after that I should say it would remain comparatively steady.

6593. I do not challenge that at all; it is merely a question of what would happen in the interval. At present there is a scarcity of banking capital in India, and if it were known that during the next three years the exchange would fall steadily, might not that scarcity be aggravated?—Well, it might not be relieved. People might not send out their money, but if you open the mints silver would be certain to go out there. You could not keep it back. You might just as well open the doors of a lock and tell the water not to advance.

6594. If you open them a little bit at a time?—Well, that is what they generally do. It is best not to open the lock at once.

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6595. (*Sir J. Muir.*) We had before us yesterday a very important witness—I think he is well known to you—Mr Stephen Ralli?—Yes.

6596. You are aware that he is the largest exporter from India, and practically the largest importer of piece goods and yarns. He has formed, as perhaps you are aware, a very strong opinion that the rate of 1s. 4d. will entail serious loss in India, and his idea is a 1s. 2d. rate?—Yes.

6597. If I understood you aright, you refer to the action of the Government of India in raising the rupee to 1s. 4d. as an arbitrary and despotic measure?—No; I call the closing of the mints an arbitrary and despotic measure.

6598. The closing of the mints with the object of raising the rupee to 1s. 4d.?—Well, yes.

6599. You regard the closing of the mints as an arbitrary and despotic measure, the object of the Government being to raise the value of the rupee to 1s. 4d.?—No, I do not think that. The object of the Government was to prevent the rupee declining, and consequently increasing their loss on exchange. They wanted to stop the loss on exchange. Do you want to know my opinion of Mr. Ralli's scheme of 1s. 2d.?

6600. Yes?—At 1s. 2d. the Government would still have to find the difference between 1s. 4d. and 1s. 2d., which would be enormous; 1s. 2d. is in many respects a more natural rate, as being nearer to the intrinsic value of the rupees, and it would make the competition with silver-using countries not so great; but you would have the initial difficulty of finding a large increase in the revenue, because the difference amounts to five crores, I think, or something like that.

6601. You are aware that Mr. Ralli has a means whereby he proposes that that deficit should be met?—I have not seen him of late.

6602. You are aware that there has been exceeding stringency all over India. Do you know what the Bank of Bengal rate was advanced to during the last shipping season. It advanced to 12 per cent., or beyond that, and the Bank of Bombay rate was 13 per cent., and the Bank of Madras rate was, part of the time, 12 per cent., and part of the time 13 per cent.?—Yes.

6603. Possibly you are aware that the merchants of India and London fear very much that there will be even greater stringency in the coming shipping season. Now, are not those who have sunk a large amount of their capital in Indian trade placed in a very unfortunate position by the action of the Government in this arbitrary and despotic manner closing the mints, and forcing them into the position of having to pay 12 per cent. for their money to carry on their business?—Yes.

6604. If I understood Sir D. Barbour rightly, he referred to the Government officials in India having received compensation in respect of the heavy fall that had taken place in the price of the rupee. But of course you are quite aware that that heavy fall—"the vanishing of the rupee," as the officials liked to call it when I was in Calcutta—came about by natural means, and yet the Government of India felt that it was a

severe loss to these officials, and they devised a means whereby some compensation should be given to these officials?—Yes.

(*Sir D. Barbour.*) Partial compensation.

6605. (*Sir J. Muir.*) Partial compensation. Now, the Government feeling that it was their duty to provide partial compensation for a loss that had been brought about by natural means, that is to say, cause and effect, imports and exports, and so on, would it be out of place for the Government of India to provide some means of compensation for those who have been injured by this arbitrary and despotic measure?—I think you would find that they would all have been injured if you offer compensation.

6606. (*Sir F. Mowatt.*) I did not quite understand at what stage of the depletion of the reserve in the Government office should the Government commence drawing on the five millions in the bank. Should you first of all exhaust your reserve altogether, and then draw on the other reserve?—I suggested that Treasury bills should be issued; and the gold transferred to the Issue Department of the Bank of England only when difficulty occurred in placing Treasury bills.

6607. (*Chairman.*) Under your scheme do you propose that gold should be a legal tender in India?—Yes.

6608. At this time you know it is not a legal tender?—The reverse is the case; you can get rupees for gold, but not gold for rupees.

6609. For gold you can get rupees at 1s. 4d., but gold is not a legal tender in India for a debt or for taxes?—Is not that practically the same?

6610. Some of the witnesses we have had before us think it is not?—It is quibbling over terms, it seems to me. If you send out 1,000,000 sovereigns the Treasury undertakes to give you 15,000,000 rupees. All you have to do is to go through that process. The Government, for its own convenience (perhaps they might be short of silver), might decree that sovereigns should be legal tender at 15 rupees to the sovereign. That would not do any harm.

6611. It is not an essential part of your plan?—But they are legal tender so far that you can take your sovereign and get 15 rupees at the Treasury and circulate them. It prevents a lot of formula in sending in rupees, but to all intents and purposes they are legal tender.

6612. Would it not be a practical difficulty in a country like India? I do not say that in Bombay, Madras, or Calcutta, it would not be easy to effect the operation you mentioned, to take your sovereign to the bank and get rupees, but do you think gold should be made a legal tender throughout India?—That is really a detail. Practically, in the great cities where rupees are wanted in large amount they are obtainable, and in the outlying parts of India, most likely, if people saw a sovereign they would not take it. In the same way a 5*l.* note is legal tender here, but no doubt you have been to some parts of England where they would not take a 5*l.* note.

6613. You do not attach any importance to this either one way or another?—I do not think it is essential.

(The witness withdrew.)

Sir SAMUEL MONTAGU, Bart., M.P., called and examined.

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6614. (*Chairman.*) You are a bullion merchant in London?—Yes.

6615. How long have you been in business in London?—A little over 50 years.

6616. You are, I think, acquainted with both the coinage and standards of most parts of the world?—That is so.

6617. Had you any opinion as to the closing of the Indian mints?—I thought it was an absolutely necessary measure.

6618. Why?—Because India was receiving the refuse silver from all the world. It was the only

outlet for silver except China and Japan. India was receiving a metal which she could never resell readily, and I thought you had no option but to close the mints.

6619. Have you formed any opinion as to what the effect upon the monetary condition of India has been since the closing of the mints?—I think all the mischief has arisen from want of confidence in the maintenance of the exchange. Otherwise I think the closing of the mints would have been a very satisfactory measure for all classes ultimately.

6620. You are aware that there was a considerable importation of silver into India during the year in

which the mints were closed?—Perhaps they were afraid of their being closed.

6621. But after they were closed there was a large importation of silver?—Because silver fell very much in price, if I recollect rightly.

6622. Do you remember when the exchange began to fall?—The exchange began to fall in 1876 from the old 2s. price.

6623. But I mean the rapid fall?—I think it was accentuated when America gave up coining silver, when the Sherman Act was abolished.

6624. Then the exchange steadily fell down to the year when the mints were closed, I think?—Yes.

6625. In 1886 it was 1s. 5½d.; then it went to 1s. 4¼d., 1s. 4½d., 1s. 4½d.; in 1890–91 it was 1s. 6d.; then it was 1s. 4¾d., 1s. 3d., 1s. 2½d.; during 1894–95 it went as low as 13d., and since 1895–96 it has been steadily rising?—Yes.

6626. Do you attribute that rise to the closing of the mints?—Yes.

6627. What is your opinion as to the re-opening of the mints to the free coinage of silver?—Unless you have an international agreement with regard to silver, it would be the height of folly, I should say, to have the Indian mints alone opened and no other mints, either in the old or the new world. People would think that you would not keep them open long and they would send silver from every part of the world to India.

6628. You think the effect of the re-opening of the mints would be to flood India with silver?—Certainly.

6629. Do you think the price of silver would go up or down?—I think it would go up a little; it would depend on the exchange. If exchange were maintained at 1s. 4d. it would go up considerably, but I should think exchange would drop as silver was sent.

6630. What would be the price to which you think silver would fall?—You mean if you opened the mints. I do not say that there would be a fall in silver. Silver would go up a little, but the rupee would fall. To my mind, it would fall below 1s. almost immediately.

6631. Could the rupee be maintained above 11d., having regard to the system recently adopted in Japan?—The yens would be sent there, but I am told that the quantity of yens is not very large in Japan itself; there are a good many in China and the Straits.

6632. You are familiar with the establishment of a gold standard in Japan?—Yes.

6633. Can you tell us how that was carried out?—They arranged to receive the old yens and to coin gold at the rate of about 32; it is equal to silver at 29·155d. per ounce.

6634. That would represent the silver value of the rupee at 10·78d.?—Yes.

6635. Do you think that the new currency system in Japan tends to act as a barrier against the rise of the gold price of silver?—Yes, to the extent of the demonetisation of the yens, and also as an evidence that Japan discredits the future of silver. Japan has copied the rest of the world in going upon a gold basis; she believes it is a great advantage to be in accord with the great countries of the world as far as exchange goes.

6636. Are you in favour of establishing an effective gold standard for India?—Yes. Perhaps you would allow me to say, before we pass from that, that we have always assumed that Germany had about 20,000,000*l.* sterling of silver which she would like to sell if a favourable opportunity occurred. In Holland the Government has agreed to the demonetisation of 25,000,000 of guilders to help the Bank of Holland, and to exchange it for gold. Therefore, you may judge as to what would be the effect of reopening the Indian mints, unless you have an arrangement with these Powers that they should not send silver to the Indian mints.

6637. That is another argument against re-opening the mints?—Yes.

6638. You say, in addition to what we may call the formal supply of the world, there is a reserve supply which might also be poured into India?—It might be to a very large extent.

6639. Now tell us in your own words your view as to a gold standard or a gold currency for India?—I do not agree with Mr. Lindsay's proposal. I do not agree quite with Mr. Raphael's proposal. I think you cannot try a novel experiment with regard to India. You must pursue the jog-trot custom of accumulating gold if you want to establish a gold standard. You cannot look for a gold currency until you are in a position to provide against all contingencies. With regard to keeping a gold reserve here, I see no particular advantage in it. A gold reserve at the Bank of England would, I think, be a financial waste. It might be very good for England to keep a gold reserve, but for India to keep a gold reserve that might very rarely be trenched upon would be a waste. It is very similar to what is done by the State Banks in Germany, Austria, Holland, and Belgium. They have the habit of keeping sterling bills and other bills that are payable in gold, and when they fear an export of gold they sell these bills. As an auxiliary process to protect a stock of gold, I think it would be very useful, and it might be effected for India, if this country were to place at India's disposal, say, 5,000,000*l.* of Treasury bills to be kept ready to be sold if needful; but as to buying and selling exchange, I think it would be a novel experiment. It might be useful in helping the producers, but the great dependence ought to be on gold deposited in India itself.

6440. That is for a gold currency?—For a gold standard even. If you have a gradual accumulation, you need not take it all at once, but if you have an accumulation of gold, every million of gold that you deposit in the Treasury in India would produce a moral effect which would be very great. In fact I think you would very soon be able to reduce your 3½ per cent. rupee loans to 3 per cent. and so save the interest, even if you have to borrow to provide gold. There is a remarkable example. I think Russia has shown great financial ability in latter years, although it is a country that I am not particularly partial to. It is an extraordinary coincidence that they have been in almost precisely the same condition as India was, and they have adopted and successfully carried out the same proposal as you contemplate; that is, that they have reduced the rouble in the same proportion as you propose to reduce the rupee, by one-third, and they have succeeded. They are an adjoining country to India; they have to deal with an ignorant mass of people, an agricultural population, and I do not see why Russia, with a far inferior credit and a larger foreign debt, should have succeeded and India should not be able to follow suit. From 1869 down to 1886 the rouble fluctuated in each year to a very extraordinary extent; there were even greater fluctuations than there were in the rupee. Since 1886 to 1898 the rouble has been kept steady at 25½ to 25¾; that is a maximum fluctuation of one farthing a rouble.

6641. Is that the silver rouble or the paper rouble?—It is now the gold rouble, they have prohibited its being called the silver rouble any more, it is the gold rouble or plain "rouble." Gold is going into circulation. They speak of it as a gold standard.

6642. Without a gold currency?—Without a gold currency as yet.

6643. Will you explain that?—They kept the rouble steady, by having the import duties payable in gold or gold equivalent. I find they take not only actual gold but they take the coupons on their own gold debt as equal to gold, and they also take German notes and French banknotes (perhaps out of compliment to France) in payment of import duties. By those means and also by keeping a steady rate of discount higher than neighbouring countries, they have accumulated an enormous amount of gold. They have accumulated far more than is necessary for a gold currency, but that I attribute to political motives. On May 28th last the gold in the bank of Russia was

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111,292,000*l.* and the previous year it was 92,109,000*l.* Therefore, they have increased their gold stock by 19 millions; yet we have money going begging at half per cent. in this country. You could with resolution and perseverance get all the gold that you need. You cannot do it all in one year, but with resolution and perseverance you can get all you want; and I do not think it would cost you anything, because the credit of the Indian Government, particularly in their local loans, would improve. The moment you express your determination to have a gold standard and to make the exchange 1*s.* 4*d.*—I should have preferred 1*s.* 3*d.*, but that is not material—if you show resolution and publish to the world that you are going to accumulate the gold you would have a great demand for Rupee paper at once. It is about 95 or 96 now in India. If the people felt assured that they would not lose on the exchange you would have large investments in Rupee paper and you would be able to reduce your 3½ per cent. to 3 per cent. and save half per cent. per annum on that loan alone.

6644. Have you formed an opinion as to the amount of gold that would be required?—The Indian Government should do like Austria and Russia; they should take the gold out of the market when it is abundant, and leave it alone when it is scarce. In that way they would gradually accumulate gold. There is now a production of gold, I believe, unequalled; I think it is 20 millions more than the usual average. You would do a service I think to Europe if you were to gradually utilise this extraordinary surplus of gold. I would not sign that letter to Lord George Hamilton, because I thought your proposed accumulation of gold would in no way injure the City of London.

6645. You mean you would not sign the letter to Lord George Hamilton, because you were of opinion that what is proposed would not be injurious to the gold reserve in London?—Certainly not. What is necessary in order to accumulate gold is, first good credit, and secondly resolution; and I may add a third condition—keeping your discount rates (which you could do in accord with the Presidency banks) at a fairly moderate range so as not to injure trade; say not below four and not above six.

6646. How could a government do that?—They could do it in accord with the banks. The Presidency banks might fairly be joined together into a State bank—not a Government bank but an Indian National bank, which could do the local business of the country and have branches and offer facilities for trade in the way of transmission of funds.

6647. What liabilities have the Russian Government to meet? Of course we have nothing to do with politics, but what mercantile liabilities have the Russian Government to meet as against that 112,000,000*l.* of gold deposit?—I take this from the *Economist*. They have got 111,000,000*l.* odd of gold and 4½ millions of silver and they have a circulation only of 84,857,000*l.* of notes and they have also a Treasury account; they owe the Treasury 47,000,000*l.* Perhaps the reason is that that 47,000,000*l.* of gold really belongs to what you may call the war chest of the Russian Government. That would reduce their available gold to about 64,000,000*l.*

6648. As against that 64,000,000*l.* of available gold, there are 84,000,000*l.* of bank notes in circulation?—Yes, and a large foreign debt.

6649. But I wanted to see what their currency was first. What amount is their rouble currency?—They have very little other currency, and they are likely to have very little other currency than the paper rouble.

6650. Then the silver roubles are decreasing?—They are almost non-existent. The old roubles have been melted down. The bank has got 4½ millions, new silver, and I think there must be a similar amount in circulation. I think they bought about 10,000,000*l.* sterling of silver in the last two or three years.

6651. That they regard simply as a metallic bank note?—They have kept it fairly steady, instead of fluctuating about 20 per cent. sometimes in a year—

one year, 1877, it dropped from 259 to 190 marks per 100 roubles. that is over 20 per cent.—they have maintained its stability by keeping interest high and borrowing abroad, and now they have declared it as equivalent to gold. But the people will no more take gold in Russia as a circulating medium, than the people in India will take gold as a circulating medium in the near future.

6652. You do not believe that even if a gold currency was established in India, the natives would take it as a circulating medium?—They could not, because their transactions are so small. They must have silver and copper. They could not effect their multitudinous small transactions in gold. It is not a currency for a country like India, except in the big cities. In the big cities gold would circulate.

6653. What do you say as to hoarding?—Hoarding is a bogey which may be laid. I cannot pretend to say how. I do not think there is any hoarding in Russia, and I should think that the natives of India are as intelligent as the natives in Russia, the bulk of them. As a matter of fact, they have been hoarding gold. I believe there is something like 300,000,000*l.* of gold now in hoard.

6654. You think there is a large quantity of gold already hoarded?—Yes; I do not know why it should increase if you introduce a gold standard. I should think it would rather tend to diminish.

6655. Do you think the capital indebtedness of India in any way interferes with the establishment of a gold standard?—No; it is about a third of the Russian foreign debt. Of course the home charges are large with regard to India, but at the same time I think there are a great number of wealthy Russians who spend their money outside the country, which would perhaps be an equivalent. I should think there is an immense amount of Russian money spent in Monte Carlo and such places.

6656. Would you limit the legal tender of the silver rupee?—Certainly not at the onset; not for years. In France, Belgium, and Holland, they have a large token currency, and it is unlimited legal tender.

6657. In France is it unlimited legal tender?—Yes.

6658. You regard the 5 franc piece as practically a token?—As far as its intrinsic value goes it is a token. It is a silver security increased in value by the Government stamp, just as a banknote might be by being issued by a State bank.

6659. Do you mean that it is increased in value by there being a restricted supply?—Well, it is maintained on a par with gold by the credit of the French Government.

6660. But there is no open mint in France?—Certainly not.

6661. There is a restriction, whether it be too much or too little; the silver currency of France is restricted by the action of the Government?—Excepting that the Bank of France has a great deal more than it wants. It has about 48,000,000*l.* sterling of silver which it does not need.

6662. But the outside public cannot come and have their silver turned into francs?—That is so.

6663. Do you consider that the rupee should be convertible into gold by the Indian Government?—No, that would be establishing a gold currency, and I think that would be dangerous until the position of the Indian Government is well assured.

6664. I was perhaps travelling a little too quickly; I was assuming that the moment had arrived for establishing a gold currency by degrees, and then you would make your rupee convertible?—Certainly.

6665. At present you admit that that would not be possible?—It would be impossible and very dangerous.

6666. Can you give us any idea of the length of a process of that sort?—We have seen that Austria has been able to accumulate 30 millions of gold, that is about 20 millions more than she used to have—and the reserve of silver has remained stable at about seven millions; and her circulation is only 17 millions. But

she has not issued gold yet. It is a gold standard without being a gold currency. The Austrian bank notes at the present time are worth quite as much as gold, and have been so with very slight exceptions for some year or two. They have maintained the circulation of the silver florin, although a token, on a par with gold.

6667. What other large country would you put in the category of countries having a gold standard without a gold currency?—Austria, France, and Belgium.

6668. Would you put the United States in that category?—No; the United States and England are the only countries where gold is obtainable freely, not perhaps now in England, because they put all sorts of obstacles in the way, the same as the French Government does. They are not above having an export "corner." For example, they offer the lightest sovereigns that they can venture to send out. They will give you a thousand sovereigns that are worth perhaps only 999*l.* intrinsically.

6669. But you do not take them?—Oh yes, we are obliged to take them. We have, however, to intercept the Australian sovereigns as they come over, and to pay a premium to get them, so as to make up for the light ones that we get from the bank. I initiated the practice of paying a premium to the Australian banks up to 1*l.* in 1,000*l.* for the sovereigns that came from Australia, in order to get new ones for export.

6670. Just referring again to the United States, is not their silver currency really maintained at the rate of 15 to 1 practically?—Yes, 16 to 1. It did not cost them that, as they bought their silver cheaper.

6671. Now have you considered Mr. Lindsay's scheme?—Yes, I think there is the same objection that I pointed out at starting; it is a novelty. Theoretically it may be of some value, but I should think it would be absolutely useless to depend upon it as a basis.

6672. Why?—Because you must have the gold in the country where you want it to circulate or to be the standard. He quotes Scotland at some early period, but I can quote Scotland for every six months. In May and November the Scotch Banks of issue are obliged to send gold, and they will not take the certificate of the Bank of England; they have to send the actual sovereign every year, in May and in November, and get them back generally with the boxes unopened. They have the actual coin to meet their increased issue of notes, and if it were possible to do with a credit at the Bank of England, I should think the Scotch banks would before now have tried to get the system altered. But they go on sending year after year or six months after six months large sums in gold; they pay the freight and have it sent back again, because the actual gold must be there in order to maintain the confidence of the Scotch people.

6673. That they have to do by the law of the land?—Yes, but it seems a ridiculous thing.

6674. I understand your objection to Mr. Lindsay's scheme is based principally on the fact that he suggests that the gold should be in London, and you think it should be in India?—And also I think that you need not meddle with the silver currency at all. You can very easily, in accord with the Presidency banks or with an Indian State bank, withdraw the redundant circulation in the summer months and let it out again in the winter when it is very dear; I mean our own summer and winter.

6675. Now, have you any criticism to make of the scheme of the Indian Government?—I think it would be most unwise for them to melt down any quantity of rupees. It would create a panic in India and outside. I was asked to name the effect upon the market price of silver of melting down two or three millions sterling of rupees and offering the bar silver for sale, and I estimated it (and others quite as experienced, or perhaps more so, than I am, agreed) at about 20 per cent. fall in silver.

6676. The immediate effect would be a 20 per cent. fall in silver?—Yes.

6677. In your opinion the Indian Government ought not to take any action to depreciate the value of silver?—Certainly not. They would do better to keep the rupees in their vaults until wanted, and lose the interest on them rather than melt them down.

6678. Do you consider that any scheme for establishing the gold standard in India would be influenced at all by a guarantee of the Imperial Government?—It would be an advantage if the Imperial Government were to say that they would be responsible, but I doubt whether you would get such an engagement. I think the utmost extent to which they might go would be to let the Indian Government have a credit of, say, five millions, only charging them interest when they use it.

6679. That is very much Mr. Raphael's proposition?—No, they need only have English Treasury Bills in India or power to draw in London; they have no occasion to keep any special gold here. They would draw at three or six months' sight according to the market, and before that time had expired provision would be made to meet them.

6680. But Mr. Raphael's scheme contemplated something which would be equal to a gold reserve of five millions?—I was not in the room all the time he was giving evidence, but I understood that Mr. Raphael meant that the five millions of gold were to be placed in a separate part of the Bank of England as belonging to the Indian Government as a reserve.

6681. But he also put as an alternative to that, Treasury Bills?—But Treasury Bills issued by the Indian Government here.

6682. No, by the Imperial Government.

(*Mr. Raphael.*) I said it was not imperative to have five millions, but it was advisable to have five millions of gold distinct which could be transferred to the issue department of the Bank of England in case it was found necessary to issue Treasury Bills. It would strengthen the position of the Bank without disturbing the money market here.

(*Witness.*) I quite agree with Mr. Raphael that a reserve of gold which might be forgotten would be of great advantage to this country, but I do not see that it ought to be at the charge of the Indian Government.

6683. (*Chairman.*) I think you told us that the gold supply of the world is very rapidly increasing?—It is very large indeed, exceedingly large.

6684. Assuming all other considerations to be put on one side, and confining your answer simply to the supply and demand of gold in the world, and the probabilities of the future, do you consider that the establishment of a gold standard with a gold currency in India would have an appreciably injurious effect on the gold market of the world?—I think not.

6685. (*Sir J. Muir.*) Might I ask why you fix upon 1*s.* 3*d.* as the rate?—I think 1*s.* 4*d.* was rather an extreme rate, considering that people had brought a great deal of gold in previous years at a higher rate than the equivalent of 15 rupees per 1*l.*, and that they would not be content to sell it so readily as if the rate had been fixed at 16 rupees to the pound sterling, or 1*s.* 3*d.* per rupee. But I do not think you could very well take a reactionary step from what is announced. I think, perhaps, it is better to keep to 1*s.* 4*d.*, as it has been proclaimed.

6686. Have you much business with India?—Not very largely, I refer to direct business. We do a very large indirect business through the Indian banks, but our operations are confined almost entirely to bullion. We have some direct banking relations, but they are not large.

6687. Is it within your knowledge that a very large number of merchants in Calcutta, Bombay, Madras, and Karachi think that the attempt to fix the rupee at 1*s.* 4*d.* was a mistake, and that they incline to the opinion that the rate ought not to have been

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above 1s. 2d.?—I think they would like to get their Indian labour and materials cheap, and they would like a lower rupee, but I do not think it is for the benefit of the country. I think it would affect injuriously the interests of the country as a whole, although it might benefit exporters.

6688. Looking at the country as a whole, is it not very much to India's interest to increase its exports?—If they get advantageous returns. I do not see the advantage of having a depreciated currency. Brazil suffers from a depreciated currency; Argentine, Chili, and America have suffered. We suffered in this country at the beginning of the century. Every country that has good credit endeavours to have a full interchangeable currency, that is, a currency that other nations will receive, and that you can settle your debts with. It is a fool's paradise for India to accumulate an enormous stock of silver which she can never pay her debts with. I think it is an absurd position to be in, unless you have international bi-metallism.

6689. Take, for instance, an exporter of wheat or grain, or jute, or indigo, or any article to be exported from India; it is important for the merchant to get his exchange at as low rate as possible, is it not?—Yes, but at the disadvantage of others. The Government suffers by the land tax being paid in silver while their obligations must be paid in gold; and the labourer when he awakes to the fact that he is not getting enough to live upon, may perhaps want more wages; but in any case it entails suffering on the man whom you pay with the depreciated currency.

6690. Does not the low rate of exchange enable the buyer of wheat or seeds, or whatever it is, to give a better price in rupees?—You go on an entirely wrong basis. The trade of the world is simply barter. You barter the goods of one country against the goods of another, and currency is only a means of settling the margin of difference according to the balance of trade. All you want in India is stability of exchange. If you have a stable exchange the exporters and importers will know how to calculate and how to deal with their respective interests. You cannot assume that because a low exchange will benefit exporters therefore it is advantageous for the country. It is against the country as a whole, because it makes the Government difficulties great, and it inflicts a hardship on the labourer who gets an inferior pay in gold value.

6691. Like Mr. Ralli, but on a very much smaller scale, my firm is an exporter of Manchester cloth and yarn, and Glasgow goods. We are of opinion that it may advantage us as exporters from this country for a time, but in the long run it cannot be a permanent advantage unless there is great prosperity in India, and low exchange helps all the cultivators of the soil?—I think not. I think that it injures them. I think it is preposterous to say that a depreciated currency tends to the prosperity of a country. It is the reverse.

6692. But would you not acknowledge that increasing the rupees in the possession of the great majority of the people in India who are poor will enable them to buy more Manchester goods?—If the exchange is low they are obliged to pay more for their Manchester goods. You are putting too much importance on currency rates. If you admit, as you must admit, that the commerce of the world is pure barter, you must then see that the advantage of one class is a disadvantage to others.

6693. (Sir D. Barbour.) You said that there was in Germany some silver which might go to India; is that coined silver or bar silver?—In the case of Germany, the State Bank avoids publishing the quantity of silver it holds. Every other State Bank, I think, even in Spain and Italy, publishes in items so much gold, and so much silver; Germany will not do so, because it is afraid that it should be known. We have always considered they have about 20,000,000*l.* sterling, either in old thalers or in bar silver.

6694. You do not know which it is?—They may have melted them; I think they are old thalers; anyhow, it is in silver.

6695. So that if they were to send that silver to India if the mints were open, they would still lose very heavily?—But the German Government might think it is better to make a loss than to wait for a further greater loss.

6696. They might have sent it to India when silver was very much higher, but they did not?—Because they were in hopes of international bimetallism.

6697. Now you think they might stand the present loss rather than run the risk of a further loss?—I think so, particularly as India would have the unique position of having the only mints open to the free coinage of silver.

6698. Have the Russians been borrowing abroad largely?—Almost every year.

6699. Have you any idea what their borrowing comes to on the average?—I reckoned it at about 300 millions.

6700. That is the total. What has it been every year?—I should think their borrowing for one purpose or another on the average has been about five millions a year. They have just issued a loan in Berlin. But it is irregular. Some years it might be for 20 millions, and then they might wait a year or two; but they are always borrowing. I do not know whether they will continue.

6701. How is the money being found for the railways that are being made in Russia?—They have just issued a loan in Berlin. I think it was four millions, but they announced it was part of a much larger sum that they would issue.

6702. Without going into particular figures, the fact remains that they have been steadily borrowing abroad year by year?—Yes, as a rule.

6703. Do you know what the rates of import duty are in Russia?—No.

6704. I believe they are very high. Some of their duties are almost prohibitive, are they not?—Yes, it is a protective country.

6705. Do you think that those two things, the large borrowings, year by year, and the very high import duties, have helped them to accumulate gold?—No doubt.

6706. Do you think if they gave up borrowing and took off their import duties their gold standard would continue as safe as it seems to be now?—Well, Russia has a way, and so has the Bank of France, of only giving out gold when it is absolutely necessary; not for ordinary circulation. The Bank of France would let some gold out if it was required to pay for wheat, or if there was a very serious condition of the money market for instance.

6707. But at any rate if they gave up borrowing abroad and took off their import duties that would raise a serious difficulty as regards their gold standard?—Not if they ceased to import gold. I think they have imported quite as much gold as they have been borrowing in latter years, and that tells one against the other.

6708. If these protective duties were taken off, there would be a large increase of imports which must be paid for?—I think if they lessened the import duties they would increase the imports and increase the exports, because, trade being barter, you could not carry on a one-sided trade with another country. Therefore, if we did largely export to Russia, we should have to import largely from Russia.

6709. If the exports from Russia increased in that way, do you think that a portion of that increase might take the form of gold?—Well, they might let gold go if they wished, but money is always attracted to the country where it is most required if credit is good. For instance, so long as Russia keeps the bank rate at 6 per cent. they will not lose any gold, and the credit of Russia is fairly good, because people will always send money there to employ it there, and they would not like to take it away unless they were afraid of some catastrophe.

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6710. Is the bank rate permanently at 6 per cent.?—It has been for years, and the outside market just the same, 5 or 6 per cent.

6711. It would be a great saving for India if it could keep the rate of discount steady; how do you propose to do that?—You must do it in accord with the Presidency banks. If you take sufficient currency away you can make a 4 per cent. rate into a 6 per cent. rate; if you take some more you can make a 6 per cent. rate into a 12 per cent. rate.

6712. But what I want to know is, how could you keep it at 4 or 6 per cent.?—When it gets above 6 per cent. let out some of your balances.

6713. That is providing more capital?—Providing more currency.

6714. The capital would take the form of currency?—Yes, you could regulate the money market if you have control of the deposits.

6715. If the banks in India had a larger capital, that would help to keep the rate of discount low?—Yes, if they employed it in India it would; but you could easily prevent very heavy rates of discount in India if you made the exchange fairly stable. Everybody to-day would be glad to get the Indian rates for money if they thought they would get the amount back in a month or two at the same rate of exchange.

6716. In any case there must be a loss in sending money out to India and getting it back?—No; if you had a fairly permanent rate not below 4 and not above 6, you would get as much capital as you could employ at those rates.

6717. For that purpose you would want more capital?—But you would attract capital by a stable exchange. It was the case with Austria with their 5 per cent. rate. It was the same with Russia with her 6 per cent. rate; the money goes there because it is safely employed.

6718. (*Mr. Campbell.*) You mentioned that the rouble is now kept steady at 25½d. to 25½d.?—That is so.

6719. What did it rule at before the Government took steps to regulate it?—I have known it down to about 20d., and I think even below 20d. Many years ago I fancy it was as low as 19d. I am not quite sure.

6720. There has been a very heavy rise?—I have the figures for every year since 1869. It has been higher and it has been lower. At a favourable time they adopted fixing it at two-thirds of its original value; they made the 7½ rouble piece out of the 5 rouble piece; that is 7½ roubles equal to the 20 franc piece.

6721. I do not know whether you have considered what reserve is necessary before pronouncing the convertibility of the rupee?—I think the first step should be when you have a sufficient amount of gold to make your notes payable in gold and issuable again in gold.

6722. You mean the Indian currency notes?—The Indian bank or Treasury notes; amounting to 24 crores. That means about 16 millions sterling. If you had 10 or 15 millions of gold you could make those bank notes payable in gold unless you were afraid of the gold being hoarded. That I must leave to the gentlemen who know the natives. I think you could get the native magnates to help you, giving them the assurance that they could have the gold again. I think if you made your rice duties and other duties payable in gold you would accumulate it from all the little stores of the world without its being generally known; you would get it in such small quantities. You might also issue some of your Indian sterling loan in coupon bonds and receive the coupons in India in payment of duties. That would induce some of the exporters to hold that stock in India in order to gain interest. It would be gold paying interest. All those details would help in one way or the other. If you resolve to carry it out I see no insurmountable obstacle with the good credit of India in getting as much gold as you like; 100 millions if you like.

6723. Good credit is one thing and resolution you said was another?—Yes.

6724. Would that mean adhering to your scheme at all hazards?—Stating that under no circumstances would you depart from it. You would at once get a demand for rupee paper. That you would know yourself, because it would pay a higher interest. That, of course, would help your project.

6725. Might there not be a third way, by the operation of the balance of trade?—Certainly.

6726. India, besides paying her foreign debt, has always the command of a very large amount of bullion every year over and above that. Would not that give her the command of the funds necessary?—Certainly.

6727. And would not that be a more natural and better way than borrowing?—Certainly.

6728. It might perhaps be a slower process?—But it is better that such an operation should be slow.

6729. You say gold never can be the real currency in India?—It is most unlikely that it can be the main currency or anything like it. India would not in that respect be alone; there is no country, except England, not even Ireland or Scotland, but England and Wales, where gold is largely used as currency.

6730. Might it not be the circulation for large wholesale transactions and for foreign trade purposes, with the rupee continuing to be the circulation for the retail transactions of the country?—If you had the same facilities in India as in other countries for the transfer of bank reserves from one city to another (the Bank of Russia, for instance, has 193 branches) you could economise the transmission of gold to an enormous extent. You can telegraph enormous sums from one end of Russia to another at a very small charge.

6731. So you can in India through the Currency Department from Bombay, Calcutta, Madras, or Rangoon, at about one-eighth per cent., sometimes even one-sixteenth?—You would have no particular need for gold except for export; and then the Treasury, if it had a redundancy, could spare some.

6732. With a favourable trade balance you might, in the course of a few years, accumulate all that was necessary?—Yes.

6733. (*Mr. Hambro.*) Did not Russia begin collecting their gold by issuing a great quantity of bank notes when the harvest happened to be very good?—The Russian Ministers of Finance have been wonderfully clever, the present one especially.

6734. But did not they begin by issuing a quantity of bank notes when the harvest was good, and using that at the various seaports to buy sterling bills, the proceeds of a very prolific harvest?—They have done so in Berlin very largely. I did not know that they did it at the seaports. They used to buy gold in Germany against rouble notes.

6735. I think I have seen remittances come in from all sorts of seaport towns?—They have been very clever; and have not disturbed the money market, although they have accumulated an enormous sum.

6736. Their first proceeding was to issue a large amount of currency, so keeping money perfectly easily in their own country and buying bills?—I never remember in late years the Russian Bank rate of discount being below 6 per cent.

6737. They kept it at that?—Yes.

6738. Do you think that if the Finance Ministers had published the particular operation they were going to make they would have achieved that result?—No, I think not. The essence of an operation of this kind is doing it quietly and without publicity.

6739. It is one of the essentials of an operation of this kind that every step should not be published?—That is so.

6740. But I suppose that would hardly be compatible with the manners of the English and Indian Governments?—I do not see that they need publish what amount of gold they receive for imports. They

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might say that they would take silver for small amounts and gold for larger amounts, and so forth. You could very easily conceal it; but I think that the fact that gold was being accumulated ought to be known.

6741. Do you think that if a national bank was erected in conjunction with the Presidency banks with a large gold capital, 20,000,000*l.*, or any amount you like, and if the currency of India, subject to proper laws, was placed under the management and control of that bank, the bank would be more likely to carry out your views than the governmental department?—Certainly; I think it would be wise to amalgamate the Presidency banks into a State bank and give them the note issue.

6742. Would it not be wise also to increase the capital of the Presidency banks?—Certainly.

6743. And it would be easy to get any amount they required?—Any amount.

6744. You think if the currency was taken away from the control, or rather the management, of the Government, but that subject to the laws, the management were given to a bank composed of merchants and bankers and officials, it would be easier to carry out such an operation as you contemplate, which is, I understand, buying gold in the cheapest market, not always taking a great profit?—Certainly it would be the best mode.

6745. (*Sir D. Barbour.*) You said that you would begin by converting the bank note in India when you wanted to have convertibility?—Yes.

6746. Would not that be practically the same as undertaking to convert the silver rupee as well?—Not if you make them gold notes, because supposing there was an easy money market, they might want some of the notes exchanged for gold; suppose there was afterwards a tighter money market, they would have to get the gold again to obtain paper or silver currency. The object of making the bank notes payable

in sovereigns would be to familiarise the people with the actual gold.

6747. But these gold notes would have to be distinct from the present notes?—If you had a good reserve of gold you could call them gold notes, issued by the Treasury or the banks, payable in gold.

6748. Separate from the notes which are payable in silver rupees?—No, the identical ones.

6749. A man now with 10 rupees could go to the Paper Currency Office and get a note for them, and, if he could convert the note into gold, he would have converted his rupees into gold?—I said issuable and payable in gold.

6750. That would be a separate note, then?—If you made the present notes gold notes a man would not be able to take his 15 rupees and get a note; he would have to take a sovereign. But I mean you might have small notes. Suppose a man wanted to get 30 rupees in notes, he would have to take two sovereigns.

6751. What would you do with the existing notes?—You may issue fresh ones, or you may call these gold notes. If you have plenty of gold and want to try the experiment it would not be necessary to issue fresh notes. You might say the Treasury notes are from such and such a date payable in gold. If they came in to the extent of five millions sterling it would make a stringency in the money market, and they would perhaps be glad to take the notes against gold coin.

6752. Then the notes would cease to be changeable for silver rupees?—No, you could give silver rupees if they wanted rupees.

6753. Then would not the result of that be that you undertake to give gold for rupees?—No, because if you do not give notes out for silver you do not give notes out for rupees, but I think it would be better to keep the option whether you pay in gold or silver. That is what is done in the case of the Bank of France; they find no inconvenience, and they keep the bank rate steady.

The witness withdrew.

Mr. EDWARD CLOUSTON called and examined.

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6754. (*Chairman.*) You are general manager of the Bank of Montreal?—Yes.

6755. That is the principal bank in Canada?—Yes.

6756. Have you many branches?—Forty-four in Canada, two in the United States, and one over here.

6757. It is a bank independent of the Government?—Quite. We have the Government account, but they have nothing to do with the management of the bank.

6758. Just tell us what is the standard and what is the currency in Canada by which that standard is used?—The standard is a gold standard; the same standard as an American eagle. We have no gold coin of our own, but the American eagle and multiples of it (the half eagle and double eagle) and the English sovereign are legal tender. We never see a gold coin in circulation from one end of the year to the other.

6759. There is no gold in circulation?—Practically none.

6760. What is in circulation?—A certain amount of Dominion notes. The Dominion Government have an issue that is limited by the Act of 1880 to 20 millions, secured by 15 per cent. in gold, 10 per cent. in gold or Dominion Government bonds guaranteed by the Imperial Government, and 75 per cent. in their own bonds, which they are at liberty to issue at any time when it is necessary to protect the gold currency; but for anything over 20 millions they have to have actual gold in their possession. The present issue is about 22 million dollars, for which they hold in gold in the different treasury chests 10,600,000 dollars, and Imperial guarantee bonds 1,946,000 dollars, and Dominion Government bonds 15,000,000; about 5,000,000 dollars in gold more than is required by the Act of the Dominion.

6761. You have 10,000,000 in gold?—At present, that is as security for the Dominion note circulation only.

6762. What metallic currency have you in Canada; I mean silver currency?—50-cent piece, 25-cent piece, 10-cent piece, and 5-cent piece; and then we have a copper coin of 1 cent.

6763. What is your legal tender?—It is the Dominion note that I have just described, and gold.

6764. Not silver?—Silver to the extent of 10 dollars.

6765. Dominion note unlimited and gold unlimited?—Yes; and copper coin is legal tender to the extent of 25 cents. Of this Dominion note issue, although there are 22 millions nominally in circulation, there are only about 7,000,000 or 8,000,000 in circulation, because the rest are carried by the bank as part of their reserve, and are not in circulation except between banks when they are used to settle balances.

6766. Have you any idea what is the extent of the circulating currency in Canada?—The total circulation of all sorts is, I should think, about 8 millions in Dominion notes, and to-day 36 millions in bank notes. That fluctuates as the country requires it, and perhaps 5 or 6 millions in small specie, silver and copper.

6767. That is about 50 millions?—I should think so; it would nominally appear more, but 15 millions of these notes of the Dominion Government are locked up in the banks.

6768. Have you anything to say about the provisions of the Canadian Bank Act of 1890?—The Act of 1890 was an Act which authorised the Chartered Banks of Canada to conduct the note issue. It gave them power to issue to the extent of their unimpaired paid-up capital. It has never yet reached that limit. If a bank is in danger of issuing beyond its unimpaired paid-up capital, it generally buys the notes of another bank and uses them. The security for the circulation is, first of all, a first lien on all the assets of the bank, then the guarantee fund to which every bank contributes 5 per cent. of its total circulation. This

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guarantee fund must be kept unimpaired by the banks, but they cannot be called on to contribute to the extent of more than 1 per cent. of their circulation in any one year. As a matter of fact, there is no likelihood of the Fund ever being touched. We have only had one failure since the Act came into operation; that was the case of a bank in Montreal, and the difficulty was to get the notes in for redemption. Everyone who got hold of those notes held them as a good investment, because they carry 6 per cent. from the date of the failure until redemption in the liquidation. The only way to redeem them was by an official announcement in the Gazette stating that the liquidator would be prepared to redeem the whole issue, whereupon interest ceased to run. A dollar cannot remain in circulation one day longer than is necessary; directly it is unnecessary, if a man has five dollars more than he wants, he passes it into the bank or pays a debt with it, so that there is never any surplus of currency outstanding and requiring redemption at any time.

6769. What do you consider the special advantages of your Canadian system?—Its safety, elasticity, and perfectly automatic working. And another feature is economy of capital. Directly our circulation returns into our vaults, it is worth nothing except the paper and the cost of printing. With currency of other countries there is always so much capital locked up soon after it is in the hands of the banks. If we have a big demand for notes to move the crops in the north-west, for instance, this year we required 10 million dollars, that was an increase of circulation extending over two or three months, but that made no contraction of loanable capital anywhere in Canada. It was supplied by this bank currency which was issued to purchasers of grain and by them paid to the farmers. It takes two or three months to return, because a farmer, after he has paid for his grain, generally has some farming operations to do, and he keeps it at home while tilling his ground, and so on, and then brings it in about two or three months afterwards. It is either placed to credit and disappears, or it is used to pay off loans to merchants and disappears. In the meantime it has made no contraction of loanable capital anywhere in the country.

6770. What is the average rate of discount?—It is equal now to about 5 to 6 per cent.—the commercial rate. It depends entirely on the part of the country it is in. We have branches extending from the Pacific to the Atlantic, and in the mining districts the rate would be very much higher than that on account of the expense of living and the cost of transportation. In some of the mining districts it is as high as 12 per cent. and 8 and 9 per cent.; but then the expense of living is considerable; and we have to take that into consideration.

6771. Under your system are we to understand that there is no such thing as a restriction of the currency?—It is restricted to the amount of our unimpaired paid-up capital.

6772. I should rather have put it the other way; there is no such thing as a scarcity of currency?—It is impossible. Directly it is required it flows out naturally.

6773. It automatically expands?—Yes.

6774. And you have a steady rate of discount?—We have a steady rate of discount. Of course the rate of discount is a sort of safety-valve in case we were importing too heavily. We might require to remit something in payment of our imports, and that would require gold. To prevent gold going out we could put up the bank rate; we could raise it steadily, and as we did so money would flow in, because our credit stands very high; there is no difficulty about getting capital if we give a sufficient return in interest. In that way it regulates the flow of gold. Comparatively little gold passes backwards and forwards into or out of our country. As the crops come forward to be sold in Europe it establishes large credit balances in our favour, which we allow to remain

over here. The banks in Canada are very powerful banks as compared with the population. If you take the Bank of Montreal, of which I am general manager, it has a capital of 2,500,000*l.* sterling, and a large reserve fund besides. That, as compared with the population, is very large. You have no banks equal to it at all, except some of the State banks. We allow these accumulations in payment of grain to remain in the different countries, so that when people require payment for their imports, instead of forwarding gold out of the country, we sell them drafts on the balances that are established abroad, so that hardly any gold passes backwards and forwards at all.

6775. Is your rate of exchange steady?—No.

6776. What causes the fluctuation?—The fluctuation is caused by the demand for remittances at a time when we are exporting little, or a cessation of demand when we are exporting heavily. When there is a heavy demand for remittances the value of exchange rises. When there is an accumulation of balances in Britain or Europe from grain bills coming forward, exchange goes down, because there is more exchange than can be bought by the merchant in payment of imports. Then the bankers buy these bills at as low a price as it would cost to bring gold out, taking into consideration the question of interest and the cost of transporting the gold.

6777. Are you familiar with the monetary system of India?—Oh, no. I have heard more about it this morning than I have ever known in my life before. We have nothing to do with it in Canada, and we are comparatively ignorant on the subject.

6778. At all events you are not ignorant as to the possibility of a country having a gold standard without a gold currency?—I think it is the only proper currency in the world; that is my impression. I would not say without a gold currency, because a certain amount is required or may be necessary to pay balances. Our gold is only useful to us to pay our foreign balances occasionally. In the meantime, until exchanges can be adjusted, we keep American gold against our foreign balances. There was a great outcry for us this year to mint the gold that is coming out from the Yukon in such large quantities, supposed to be ten millions of dollars; but, as I pointed out to the Government, the gold is really no use to us till it passes out of the country, giving us credit balances in other countries to draw against. The gold minted would only remain in the vaults of the bank, so that it would be no possible good at all.

6779. (*Sir D. Barbour.*) I gather from your evidence that two at least of the peculiarities of the Canadian system are, first, that the banks have large capital?—Yes.

6780. And, secondly, that there is an elastic system of note issue?—Yes.

6781. Of course you know the system of note issue which exists in this country, that an additional note cannot be issued unless so much gold is paid in?—Yes.

6782. It is not what you may call an elastic system?—No; the note actually represents the gold; the more currency issued the more capital is withdrawn from useful employment.

6783. I do not know whether you are aware that the same system that we have here is in force in India; that is, that another note cannot be issued unless the coins are actually deposited. Now, your system of issue of notes seems to be more like what is the practice on the Continent than what is the practice in this country?—I do not know of any Continental nation that has the same system.

6784. Not precisely the same, but I think the Continental nations generally have a different system from ours; they have more elastic systems?—To the extent that portions of it are against a fiduciary holding; that is so.

6785. Now, you issue notes within certain limits, but what amount of gold in circulation is necessary, or what arrangements do you make in order to secure convertibility of the notes that are issued?—Gold is never demanded for them; we do not imagine that it

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ever would be demanded for them; we have not had that experience. When I say never, a few dollars may occasionally be asked for.

6786. It is a very fortunate position, but you do hold a certain amount of gold?—We do hold a certain amount of gold; the little gold that is required to pay our foreign balances temporarily, till exchange gets into better shape.

6787. In the case of a great panic in Canada (if such a thing be possible) would you not find a difficulty?—Not as far as circulation is concerned. The people of the country understand it so well. What they would do if there was a panic would be this; they would draw out their balances in banknotes, knowing that the bank notes were absolutely secure.

6788. You cannot conceive any want of confidence in your banknotes?—No.

6789. And as long as confidence lasts it is very easy to maintain convertibility?—Yes; but even in case they should lose confidence there is no trouble about getting gold. We have a certain amount of gold in the country. The total circulation of the bank just now is about 36 millions; we have 10 millions against that now, and in addition to that we have very large foreign balances and securities which we could sell in New York and London.

6790. You have 10 millions now?—Yes.

6791. That is roughly one-third; it is 10 against 36?—Well, it is against our liabilities generally.

6792. But it is 10 millions there which is available?—Yes, you can understand why I say our circulation is absolutely safe. The total circulation is 36 millions. Against that we have assets, on which there is a first lien, of 360 millions, we have the guarantee fund of two millions—

6793. I am not questioning the fact that your position is perfectly safe. I want to see how it happens that you are in a better position than other countries. It does not follow that every bank can do with as little gold as you can. The fact that there are those great assets gives confidence in the notes?—Yes.

6794. And if the worst came to the worst you could sell in New York?—Yes, and besides that we carry our reserves in other countries. Last winter we carried a large amount in Germany and Holland, and a large sum here, and in France and the United States. When I speak of large sums of course that is comparative. It might not be a large sum for the Bank of England, but large for us in proportion.

6795. (Mr. Holland.) You told us that you had had variations in your rate of exchange, but you did not indicate within what limits those variations generally were. Will you tell me the maximum and the minimum?—It depends so much on the rate of interest over here.

6796. But in your experience of the last few years what has been the maximum and minimum?—In Canada the rate has not varied a great deal, perhaps \$4.80 or 4.88 or 4.89 for the sovereign. We have seen very large variations in places like Chicago, where they have had panics. In the panic just before the last election it was considerable in a very short period.

6797. But the average variation has been between \$4.80 and \$4.90?—Yes.

6798. (Mr. Campbell.) Regarding this 5 per cent. guarantee fund; in what is it held?—It is held by the Dominion Government.

6799. In cash?—I don't know how; it is only a small amount for the Dominion Government—two million dollars.

6800. They are responsible for it?—They are, for the custody.

6801. (Mr. Le Marchant.) Are not many of the remittance transactions between Canada and England conducted through New York?—Yes, a considerable

number of the transactions in connection with our remittances. Our remittances are conducted directly with England, but we often buy or sell exchange in New York.

6802. There may be exports of gold indirectly in connection with Canadian remittances to England, although they would not appear in the exports from Canada?—That is possible. The amounts required would be supplied by the banks without any special arrangement with New York.

6803. Owing to the banks' command of sterling abroad?—Yes.

6804. When you speak of fresh capital flowing in, does that flow in in the form of gold, or is it a transfer of sterling claims abroad; is it a transfer of the sterling balances that you are speaking of?—It would mean an increase of our balances over here.

6805. But not necessarily a shipment of actual gold either to New York or Montreal?—No. Take the case of an insurance company investing largely in our securities. If they wanted 100,000*l.* it would be placed to our credit here, and we should pay it on the other side. There would be no actual transfer of gold.

6806. Have you ever found the demand for notes come up to the issue power of the banks?—No, never. We have power to issue up to 60 millions, and we have never issued more than 40 millions.

6807. Does that depend on the management of the banks? I could imagine the public demanding facilities if they were offered at a sufficiently low rate?—What you are asking is, who limits the amount. I think the banks themselves limit the amount. Of course it was the desire of the banks that they should create public confidence to the greatest possible extent in the circulation, and if they had had an unlimited circulation that could not have been done.

6808. And equally in managing the circulation under the existing powers, it depends very largely on the banks how far those powers are exercised?—It depends on the necessities of the country.

6809. With regard to covering the interest on the sterling debt; how is that managed; do the banks manage the remittances for the Government?—The Government buys in the open market exchange from the banks to pay for remittances.

6810. In any way that suits them?—Yes. Nearly always by tender.

6811. There has been no direct export of gold traceable to paying interest on the debt?—No.

6812. Does the balance of trade vary very materially in different years?—Oh, yes; it varies materially with a big crop or the enhanced price of a crop of grain, and also with the condition of affairs in Canada. In prosperous times we import very heavily.

6813. Has it ever been so far adverse as to lead to any crisis or panic?—No. As I say, if we saw that approaching, we should curtail the purchasing power of our customers by the rate of discount. That is the safety-valve.

6814. Has there at any time been a party in Canada for a depreciated currency? When the United States had an inconvertible currency, was there any movement in a similar direction in Canada?—Not to any extent. I may say practically none. In a community there are always a certain number of cranks who start theories about currency, but there has never been anything to the extent of a party.

6815. There has never been in Canada a party holding the view that the United States benefited by a depreciated currency?—On the contrary, the opinion is that that is a great bar to the progress of the United States.

6816. Canada had, as a neighbouring country, the means of observing the working of the United States currency?—Yes.

6817. And there was no wish to imitate it in that respect?—None whatever.

The witness withdrew.

Adjourned.

FIFTEENTH DAY.

Monday, July 18th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

SIR JOHN MUIR, Bart.
 SIR FRANCIS MOWATT, K.C.B.
 SIR DAVID BARBOUR, K.C.S.I.
 SIR CHARLES CROSTHWAITE, K.C.S.I.
 SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
 MR. EVERARD HAMBRO.
 MR. W. H. HOLLAND.
 MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

MR. LESLEY CHARLES PROBYN called and examined.

6818. (*Chairman*.) Will you state your description and experience?—I was formerly in the Account Department of the Government of India. I was for 25 years in the service of the Government of India. The highest post I reached in that service was Accountant-General of Madras.

6819. You are acquainted with the questions affecting the coinage and currency of India?—I have tried to make myself acquainted with them.

6820. Were you in favour of closing the Indian mints in 1893 to the coinage of silver?—Yes, but only as the first step towards the adoption of a gold standard.

6821. Why were you in favour of the closing of the mints?—Because I thought that, under the circumstances, India should put herself on a gold standard.

6822. You were influenced, then, exclusively by that consideration and not by the existing financial condition of India?—Just so.

6823. You are aware that exchange had fallen when the closure of the mints was recommended by the Indian Government?—Yes, to 14½d.

6824. Was that the lowest?—I think so.

6825. But are you aware that an increased burden was falling on the taxpayer of India for the purpose of remitting the gold payments to London?—Yes; but I do not think that that was the special evil from which India was suffering.

6826. What was the evil?—What seemed to me to be the most serious evil was the hindrance to trade caused by the two countries having different standards of value.

6827. You mean Great Britain and India?—Great Britain and India. Also it had always seemed to me a very great injury to India that capital was, to a certain extent, prevented from going to India by the uncertainty of the rate at which it would be got back again.

6828. I suppose that difficulty did not arise during the greater part of your residence in India, because, until after the demonetisation of silver by Germany, exchange was stable?—I left India in 1879, and the fall in the value of silver began to take place in 1873.

6829. Do you consider that the mode of carrying out the closing of the mints was the wisest that could have been adopted?—No, I do not.

6830. Will you state to the Committee what your objections are?—I think the permanent gold value to be assigned to the rupee should have been settled. I think that the temporary major limit of 16d., which was the result of receiving gold at that rate, was too high. There were indications that it was desired to raise the gold value of the rupee even to a much higher figure than 16d. Then, very soon after the mints were closed, an attempt was made to force up the gold value of the rupee by putting a minimum

price on Council bills. No scheme was propounded for either the convertibility of the silver rupee into gold or the partial substitution of gold for silver as currency, and there was no finality in the scheme, which did not provide by legislative enactment for the future adoption of a gold standard. What I wish to make clear to the Committee is this: My view was that it would have been quite unjustifiable to have closed the mints unless it was the first step towards a gold standard; and with that in my mind I think the whole thing should have been, I will not say cut and dried, but put on a definite footing.

6831. Did not the Government of India, when they recommended the closing of the mints, or, at all events, I think when Sir David Barbour made his statement in the Indian Legislative Council, distinctly declare that it was a step towards the establishment of a gold standard?—They did; but although Lord Herschell's Committee adopted the recommendation for a gold standard, some individual members of the Committee, one could see, did not take that view. That very able gentleman, Mr. Bertram Currie, for instance, in the Minute which he appended to the Report of the Committee, distinctly said that he hoped that the rupee might get up to a higher rate even than 18d. That was distinctly indicating that there was no idea in his mind of a gold standard. Further, he distinctly said that he would have no gold, and I contend that you cannot have a gold standard without gold altogether; so that Mr. Bertram Currie, for one, was not in favour of a gold standard.

6832. The only point in which I understand Mr. Bertram Currie differed from his colleagues was this: He says, "While cordially concurring with the views of my colleagues, so far as they support the proposals of the Government of India, I should have preferred to approve those proposals without imposing the condition that the closing of the mints should be accompanied by an announcement that rupees will be coined in exchange for gold at the ratio of 1s. 4d." I think that was his only dissentient point?—Will you read further on?

6833. He says: "It will be admitted that in a matter of this kind the minimum of State interference is desirable"?—I think you will find that further on he says that he hoped to get the rupee up beyond that.

6834. Is this the passage you refer to? "I am unwilling to take the responsibility of attempting to fix a rate if the object can be practically accomplished by the natural action of the market. Moreover, I fail to see what advantage would be gained by selecting the ratio of 22:37 to 1 (1s. 4d. the rupee) rather than that of 18:22 to 1 which has been adopted with apparent success by Austria, or that which is in use among other nations. If, contrary to expectation, exchange should rise suddenly

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"in an inconvenient degree, I would meet the difficulty in the way proposed by the Government of India (quoted at paragraph 47 of the Committee's report) by declaring that English gold coins shall be legal tender in India at a rate to be fixed by them." He does not seem to commit himself to anything stronger than that. Perhaps when you get the proof of your evidence, if you see that there is any statement of his that you wish to put before the Committee you will embody it?—Very well.*

6835. (Sir D. Barbour.) Did not the Secretary of State expressly and formally sanction the closing of the mints as a first step towards the introduction of a gold standard?—Yes, he did.

6836. (Chairman.) This is the telegram from the Secretary of State to the Viceroy, of the 20th June 1893, "We have considered your letter of the 2nd June 1892, and your telegram of the 15th instant respecting currency. Her Majesty's Government have decided to approve the proposals of your Government to close the mints to free coinage, and to make arrangements for the adoption of a gold standard, subject to the modifications recommended by Lord Herschell's Committee, which your Government have accepted. You are, therefore, empowered forthwith to take the necessary steps." That is the final decision?—That I know, but what was in my mind was this: that any person looking through the actual Report of the Committee would see that some of the members at any rate were not in favour of accumulating any gold at all, and there was no indication of how they intended to secure the gold without which, I contend, there cannot be a gold standard.

6837. Would you indicate in detail any prejudicial effects which were due to any of those faults?—The limit of 16*l.* was reached only a few months ago, and less than a quarter of a million of gold has been received to date. Stopping the sale of Council bills unduly encouraged the importation into India of silver and of merchandise, and tended to dislocate trade.

6838. That did not last for very long, did it?—For seven or eight months.

6839. The suspension, you think, did a great deal of harm?—I believe so. I perhaps may be allowed to mention one point which makes me think that it did harm. One of the leading bimetalists, and a very clever fellow, told me in December 1893, "if the Government had wished to spoil its scheme they could not have done better than by stopping the sale of Council bills." I believe that the holding up of these bills had a very bad effect on the future value of the rupee. The absence of any permanent rate and of any law, or even of any definite scheme, for eventually putting the rupee on a gold basis, together with the indications that a higher rate was aimed at, prevented the public from having confidence in the determination or ability of the Government to go on with a gold standard scheme.

6840. Are there any other points of detail that you would like to mention to us as having had a prejudicial effect?—I think I have gone over the whole ground.

6841. Now, what do you say as to the re-opening of the mints?—I am decidedly opposed to it.

6842. Why?—Because I would try and put India on a gold standard.

6843. Do you think it impossible to continue India on a silver standard?—Not impossible, but it would be very disastrous, I think.

6844. You think it would be attended with great risk and danger?—Great risk and danger to the finances of India, I think.

* *Note by Witness.*—I see, now, that I was wrong in using the forcible language I did in regard to Mr. Currie's views. But his allusion to the Austrian rate, 18*s.* 2*d.* to 1*l.*, corresponding to 1*s.* 7½*d.* the rupee, and the rate in use among other nations (16 and 15½ to 1*l.*) corresponding to 1*s.* 9½*d.* and 1*s.* 10½*d.* the rupee, indicated that he would not object if the natural action of the market with closed mints gradually forced up the gold value of the rupee to those high rates.—L. C. P.

6845. You have been in favour of a gold standard for some considerable number of years?—Yes.

6846. Before this question came either before the Indian Government or Lord Herschell's Committee? Yes, I was in favour of the gold standard when the Gold and Silver Commission held their sittings. Sir David Barbour may remember that I sent in a memorandum to that Committee on the subject.

6847. You wrote a paper in 1888, entitled "A proposed Gold Standard for India"?—Yes.

6848. Then, you wrote another paper in 1892?—Yes. In 1886, I think it was, I sent in a memorandum to the Gold and Silver Commission on the subject.

6849. Are your proposals for a gold standard dependent on, or accompanied by, or do they exclude, a gold currency?—I mean a gold standard without a currency. While admitting the advantages of a currency more or less composed of gold in a gold standard country, I think in India a gold currency is not only unnecessary but, in the first instance, at any rate, undesirable. If the silver rupee can be secured as an effective representative of a certain amount of gold, it will be more convenient for the transactions of the mass of the people than gold coins. If gold coins were put into circulation the temptation to hoard them and to use them as ornaments would be very great. Of course if the natives of India want gold, and are able to pay for it, you cannot prevent their getting it. But it is one thing their buying it as merchandise and it is another thing their being able to get it as currency. The facility with which silver rupees could be extracted from the currency and turned into ornaments greatly encouraged the use of silver for this purpose; and so it would be with gold. If gold coins were passed into the currency it would be at first almost like pouring water into a sieve.

6850. That argument is entirely directed to the question of hoarding?—Hoarding and ornaments. Of course, practically they are both the same.

6851. The extraction of gold from the currency?—Yes.

6852. You said, "if the silver rupee could be made an effective representative of gold." I think we should like to hear you define what you mean by "effective representative"?—I do not think it would be an effective representative until you could get gold in exchange for a certain number of rupees.

6853. You mean convertibility?—Convertibility; not necessarily the convertibility of the individual coin into its corresponding value in gold, but the convertibility of a considerable number of coins into their equivalent in gold, and I do not think the rupee would be an effective representative of gold until that stage had been reached.

6854. Can you just state from memory what Lord Sherbrooke's proposal was in 1879?—Lord Sherbrooke had an idea that you could increase the paper currency of India to a very great extent, and that you could substitute paper notes for the rupees in circulation, and his idea was to support those paper notes by uncoined gold.

6855. Bullion?—By bullion. I think he quoted Ricardo as the foundation for his views. But Lord Sherbrooke did not go so far as I did, and did not see the possibility, we had better call it, of issuing what I will call silver notes—rupees as silver notes—against the gold.

6856. To put it in your own words, what you say in your book is that Mr. Lowe "suggested that the currency of the rupee should be limited to amounts of small value, and that a paper currency should be introduced, to be sustained at par with gold by the right to require bullion for notes and notes for bullion in certain specified quantities. This was practically identical with Mr. Ricardo's proposal—for the issue of notes on the deposit of bullion—which was adopted in Sir Robert Peel's Bill for the resumption of cash payments in 1819. Mr. Lowe left the introduction of the system to

"such means as Indian experts might think best, and did not explain how he proposed to obtain the gold with which to start it"—Yes.

6857. Just let us take the last section of that paragraph?—My proposal is by beginning with the right to demand notes and silver rupees for gold bullion, to ultimately arrive at the stage when we shall be able also to give the right to demand gold bullion for notes and silver rupees.

6858. Now will you explain to the Committee the details of your scheme?—The details of my scheme are given in a draft Bill printed at pages 114 to 120 of my book. The rate of 16*d.* for the rupee is adopted. My scheme assumes that if the State paper currency can be maintained on a gold basis, *ipso facto* the whole rupee currency of the country, which is convertible into paper, becomes on a gold basis. My plan provides for a distinction between notes of 10,000 rupees and those of smaller denominations. The notes of 10,000 rupees to be issued only in exchange for gold, which would be ear-marked to meet them so long as they were outstanding. Notes of smaller denomination to be issued in exchange either for gold or for silver rupees, but at first to be exchangeable only into silver rupees, as at present. It is assumed that gradually, as an expansion of the circulation of the country became necessary to meet wastage and increased trade, the rupee would rise to the gold point, and that when it so rose, gold would come into the currency reserve. Gold would come first, perhaps, against the issue of the large gold notes specially designed to be used as what Sir Edgar Vincent calls a marginal gold currency (which would come to India when the currency was deficient, to be returned, if need be, when the currency became redundant). But gradually, as need arose, gold would come against the issue of smaller notes, thus practically freeing the silver rupees held in the currency reserve. And this process of the expansion of the rupee currency to meet the wants of the people would go on automatically, undue expansion being checked, and the matter, to a great extent, being removed from the control of the administration by the further coinage of rupees being made dependent on the relative amounts of gold and silver in the currency reserve. There would be no power to touch this gold reserve, except for such restricted silver coinage, and if the currency gradually expanded without a contraction of the paper issue, the gold reserve would gradually rise. The scheme prohibits gold coinage, and though it does not prevent the receipt of gold at Government treasuries, it does not provide for gold (except the large 10,000 rupees notes) being legal tender. Provision is made that when any further coinage of silver rupees takes place, the difference between the nominal and intrinsic gold values of the silver coins shall be added to the gold reserve. The scheme empowers, but does not require, the Government, after the gold in the reserve (other than in the gold note reserve) has continuously for one year been more than silver, to notify that gold will be always given in exchange for rupees or notes presented for the purpose in parcels of 10,000 rupees. When the Government is able to issue such a notification, a perfect gold standard will have been attained.

6859. Now, the comment of the Government of India upon that scheme is as follows:—They say, "the other scheme we wish to mention is that of Mr. L. C. Probyn, contained in a volume of papers published in 1897, by Effingham Wilson. Mr. Probyn proposes to establish the reserve of gold in India, but in order to prevent the gold passing into circulation and disappearing into hoards (an object which Mr. Lindsay also has in view), he proposes that gold should not be coined, but that it should be kept in stamped bars of a high value. We do not think it either desirable or necessary that gold coins should, until the gold standard has for some time been established, pass to any appreciable extent into general circulation; under

"the scheme we have above proposed, the bulk of the currency in circulation, and practically the whole of it outside the Presidency towns—in which the banks might, like ourselves, hold reserves in gold coin—would continue to consist of rupees and currency notes. But we do not think it necessary, in order to secure that result, to refuse to have legal tender gold coins of a convenient value; we are, moreover not satisfied that there would be any smaller disappearance into hoards of the gold bars, which would be easy to subdivide, than of gold coins. We are also of opinion that the simpler and more direct a monetary standard can be made, the more acceptable it will be to the public. We think that the only state of things which can be called a thoroughly satisfactory attainment of a gold standard is one in which the gold coins which represent our standard are those also which are good for payments in England. At the same time, if experience should hereafter indicate that there is any advantage in having the gold standard represented by a coin or piece of bullion too large to be used for ordinary monetary purposes, the course suggested by Mr. Probyn, or one like it, is still open to us." Will you just say what you have to say in reply to the Government of India's comment?—To begin with the last paragraph, it seems to me that Sir James Westland's proposal is like shutting the stable door after the horse has been stolen. The great object is to adopt a plan which will command the confidence of the world generally. I think if it be found, as I think it will be found, that any scheme which provides for a currency tends to withdraw the gold from circulation it will be too late then to put it back. Then there is this other point. The Government of India's proposal is that they should prevent the coins going into circulation by their own administrative action. Now I think it would have a much more powerful effect, supposing it is right, as the Government of India admits, that the gold coins should not go into circulation at once, that it should be prevented by legislative action and put out of their power altogether. It seems to me that that would have a very much stronger effect. The Government of India's proposal to at once establish a gold standard is very different to mine which is to wait till the standard has become automatically established.

6860. Do you not establish it at once for exchange purposes; purposes outside India?—I do not call it a gold standard. I do not think the gold standard will be established as I have said until you can give the right to demand gold bullion for notes and silver rupees.

6861. But that is the last chapter of the work, is it not?—It is all tending to that.

6862. But what is your first step?—Gradually to accumulate the gold reserve.

6863. What is your answer to what the Government of India say about the danger which, as you have already indicated, is the danger of a gold currency—the danger of hoarding; what have you to suggest with reference to their point that bars would be easily sub-divided and hoarded?—My answer to that is that it is rather in the dim and distant future, and I would not release the bars until the rupee had acquired the gold value which we propose to assign to it. Then if the natives chose to absorb the bars in that way it would not be so much harm.

6864. How long do you think it would be before the Indian Government would be able to give gold in exchange for rupees?—I should not like to say. I believe that with the confidence which would be generated by the settled adoption of a gold standard policy, and by some such scheme for gradually acquiring a gold backing to the Paper Currency issue, the rupee would very shortly rise permanently to about the 16*d.* gold par, and that the present volume of currency would not be found, on the whole, redundant. The present cash reserve of the Paper Currency Department is, however, only R. 13,25,00,000, or, at 16*d.*, 8,833,000*l.*; and even if the greater part of this were held in gold, it would probably be too small for the

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Government to undertake to give gold in exchange for rupees and notes until the experience of several years had made it absolutely certain that there had been no redundancy of circulation other than that which could be met by the marginal gold currency which I have described. An expansion of the circulating medium might, however, have taken place, in the form of a large increase in the note issue, thereby increasing the metallic reserve, and making it possible to hold a larger reserve of gold. Under my plan the reserve of gold is necessarily limited by the bullion in the Paper Currency Department. They have only R. 13,25,00,000 there now, and I do not think that if the whole of that were held in gold at once that would be strong enough to undertake the convertibility of rupees and rupee notes into gold.

6865. What do you consider that your gold reserve ought to amount to before it would be safe?—That I cannot tell. If it were seen that gold was, by the action of natural causes, gradually ousting silver from the metallic reserve of the Paper Currency Department, the exchange would practically hover about the gold point, even without the Government undertaking to give gold for rupees. I believe that if the scheme had been adopted on a 15*d.* basis five years ago, the Government would have been able by this time to give such an undertaking with but little risk of its being unable to fulfil it. But my scheme has been so devised that the Government can feel its way, and need never commit themselves in advance to any liability which it is not fully prepared to meet.

6866. You fix under your scheme, 1*s.* 4*d.*?—Yes.

6867. Will you tell us why you fix 1*s.* 4*d.*?—I am quite sure 15*d.* would have been better if it had been adopted in 1893, but it would be something like a breach of faith going back now. Others took a different view, but it seemed to me that, when the Government formally told the world it was going to introduce a gold standard into India, and authorised the receipt of gold at 16*d.*, it pledged itself to the introduction of a gold standard at not less than 16*d.* People may have bought and held rupee paper and other securities on this undertaking. Besides, experience indicates that the present volume of the currency is nearly consistent with a 16*d.* rupee. For a year,—notwithstanding the troublous times through which we have passed, and the doubt as to the future policy of the Government which has prevailed, and the flow of capital from India to England, the result of that doubt,—the rupee has kept above 15*d.* and has sometimes reached the gold 16*d.* point. I believe that, as a matter of sentiment, too, the going back to 15*d.* would have a bad effect. It would be, to a certain extent, a confession of failure, and though, perhaps, the chief cause of the failure would be removed by the change, it would discredit the measure generally. Lombard Street, too, would probably prefer 16*d.*

6868. Why?—Because with 16*d.* India would not take gold so quickly.

6869. Then have you at all considered the effect upon the trade of India, of fixing the rupee at 1*s.* 4*d.*?—It stands to reason, and everybody admits, that a stable rate of exchange between two countries trading together is better for them than a varying rate.

6870. I think you heard one witness last week express himself in favour of 1*s.* 2*d.*. I know the reasons you have given us just now, with reference to 1*s.* 4*d.*; but, for the moment, forgetting those reasons, and simply looking at the state of trade in India, supposing the Government's hands were perfectly free, to fix the rate at 1*s.* 2*d.*, 1*s.* 3*d.*, or 1*s.* 4*d.*?—I think the best rate for the trade of India is the rate which has worked out at the time. Here, on the one side, you have, say, a rupee's worth of wheat; on the other side, you have 1*s.* 3*d.* worth of Manchester goods, and you exchange the one for the other. The exchange, the 15*d.* or the 16*d.*, or whatever it is, is merely the nexus between the two. Of course, if you go arbitrarily altering that nexus, it stands to reason

you must alter prices somehow or other, quite irrespective of any other causes.

6871. That is, if one gains by low exchange another loses?—Quite so; but I cannot see that anything could be disastrous to the trade of India if exchange were 16*d.*

6872. Your point is stability, and stability can only be assured by a gold standard?—That is my point.

6873. And you say that a gold standard is necessary in a country, 80 per cent. of whose trade is with gold using countries?—Yes.

6874. And that the ultimate and safe ends which a gold standard must reach is a gold currency, is that so?—Not a gold currency.

6875. The gold standard you ask for first?—Yes.

6876. But ultimately you mean that gold standard must resolve itself into a gold currency?—No, I do not think so.

6877. I understood you to say that it could not be completely effective until rupees were exchangeable for gold. Is not that a gold currency?—Not in small quantities, but in bulk.

6878. Still, in large quantities?—In large quantities.

6879. That is, that a man with 20 or 30 rupees is not to have gold for them, but a man with 10,000 rupees is to be able to get gold?—Yes, I should add this; that I quite admit that there are many reasons which would make it advantageous to have a gold currency as well as a gold standard; but I think that the disadvantages of a gold currency are so very material in a country like India, that at present I would not think of it.

6880. (Sir J. Muir.) I do not quite follow why you said it would be a breach of faith on the part of the Government of India to change from 1*s.* 4*d.*?—The Government of India have publicly announced, as Sir Henry Fowler has read to you just now, their intention to adopt the gold standard; and simultaneously they announced their willingness to receive gold in exchange for rupees at the rate of 16*d.* Supposing I, for instance, had bought Government rupee paper on the understanding in my own mind that that gold was never to be received at a lower rate than 16*d.*, I should think that the Government had, to a certain extent, committed a breach of faith with me in receiving it at 15*d.*, and, therefore, reducing the gold value of my rupee paper.

6881. But you thought the Government had made a mistake in fixing 1*s.* 4*d.* at the time?—Yes, I think it would have been better to have fixed 1*s.* 3*d.*

6882. Who are the parties who should be the best judges of a safe and permanent rate? Do you not think it is the merchants who are exporting produce from India, and the merchants who are importing what is required by India—the exporters and importers?—I should be a little bit inclined to say that independent parties with all the circumstances of the case before them would be the best judges of the most suitable rate.

6883. If, after a full trial, the great majority of the gentlemen I refer to, who have been interested for many years in the imports and exports, came to an opinion that it was impossible to make a 1*s.* 4*d.* rate permanent, and if, as we have had evidence here, 1*s.* 2*d.* is the better rate, would you see any special reason why 1*s.* 2*d.* should not be adopted?—I think if you adopt a 1*s.* 2*d.* rate it would throw discredit on the whole system, and there would be no security in the minds of the public as to what you were going to do next. They might say, "Well, the Government first of all intended a 16*d.* rate; they have not been able to get that; now they are going down to a 14*d.* rate; they probably will not get that, and they may go down to a 1*s.* rate; there is no knowing where we are."

6884. Do we understand you to say that, supposing the Government come to be satisfied, after all the evidence had been taken that they had made a mistake in fixing 1*s.* 4*d.*, you would advocate their continuing to make that mistake?—Yes.

6885. You would?—I would, certainly.

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6886. Even although they were satisfied that that would lead to the ruin of the country?—Of course you must not put that upon me.

6887. What is your opinion of the action of the Government of India in 1893, in closing the mints?—I think it was quite right as a step to the gold standard. I think if they had not intended to have a gold standard it would have been absolutely wrong.

6888. Would you be surprised to hear that a very eminent banker in the City of London who was before us the other day, regarded that measure as arbitrary and despotic?—I do not think I should be surprised to hear him say that; but it is one thing his saying it, and another thing my agreeing to it.

6889. I just wanted to point out to you that valuable opinions in the City of London differ from yours. Now, you thought 1s. 3d. would have been the rate. I have told you that eminent witnesses say 1s. 2d. Why do you prefer 1s. 3d. to 1s. 2d.?—When the mints were closed, the rupee was at 1s. 2½d.; it had never fallen below that.

6890. What?—The rate had never fallen below 1s. 2½d. before the mints were closed.

6891. Never?—No.

6892. But it fell after that?—Yes, it fell down to 1s. 0½d., I think.

6893. How do you explain that?—As I have endeavoured to explain, in my opinion one principal cause of that fall was the uncertain policy of the Government. It is true, as Sir Henry Fowler has pointed out, and as I have pointed out in this book too, the Government pledged themselves—the Viceroy of India pledged himself—to the future adoption of a gold standard; but I may put it broadly that in 1894 and 1895 people, generally, did not believe him. There was a very large and very powerful bimetallist party who were dead against it, a certain number of gold men in the City were dead against it, and people did not believe in it. There was a want of confidence in it. The value of money and all these things depends, to a very great extent, on sentiment. Then, as I said before, I believe that the harm which was done by stopping the sale of Council bills in the last six months of 1893 was incalculable.

6894. How long did you say you had been connected with India?—25 years.

6895. I forget the exact time, but you are aware that we have often had remittances from India at 2s. 2½d. and 2s. 3d. Is that within your knowledge?—I did not know that it had been as high as 2s. 3d.

6896. Yes; I have had remittances myself at 2s. 2½d. and 2s. 3d. Is it not a reasonable thing that we should be content with the fluctuations of trade, as in those days when the rate was often over 2s.? Would it not be wiser for the Government of India to say, "We will, as in the past, leave the imports and exports to fix between themselves the rate of exchange," rather than that they should come, in what a witness the other day called an arbitrary and despotic manner, and fix 1s. 4d.? Would it not be better to leave the fluctuations of trade to fix the rate?—Do you mean to go back to the silver standard?

6897. Precisely so?—I do not think it would.

6898. You stick by 1s. 4d. if you cannot get 1s. 3d., but you would not object to 1s. 2d. if that came to be the general feeling of the country?—I think it would be a great risk to go back to 1s. 2d.

6899. (Sir D. Barbour.) Do you think the permanent gold level of the rupee should have been settled at the time the mints were closed?—Yes.

6900. At what rate?—15d.

6901. It was difficult at that time to foresee what would happen?—Of course it was very difficult.

6902. Suppose the rupee had gone down to 1s., and remained there permanently, and you had fixed 1s. 3d., what would you have done?—I would have stuck to 1s. 3d. if you had fixed it.

6903. For how long?—Until you got your 15d. rupee by the absorption.

6904. Suppose that had taken 50 years?—I should have done it.

6905. Or a hundred years?—Yes.

6906. That would have postponed the gold standard indefinitely?—No doubt it would. If the rupee had gone down to 1s., and nothing had ever brought it up again, that would have postponed the gold standard indefinitely.

6907. You would not have objected to a long period of waiting; you would have taken the risk of that?—Yes; but I do not think that the long period of waiting would have been possible.

6908. I do not know whether you have looked closely at the telegrams regarding the stopping of the sale of Council bills after the mints were closed?—I have not looked at them for some time, but I looked at them at the time.

6909. Did it appear to you that the Council bills, in the first instance at any rate, were stopped with the object of forcing the rupee to 1s. 4d., or that the object was to try and steady the rate of exchange at something lower than 1s. 4d.; in fact to get a steady rate of exchange after the closing of the mints rather than a rate of 1s. 4d.?—I cannot say what I thought, except this—I thought that the object of stopping the sale of the bills was to get a higher price for those which were sold than the market was prepared to give.

6910. That, of course, would be the object, at least temporarily, but are you prepared to say that the object in the first instance was to get a rate of 1s. 4d., or merely to get some rate which would remain fairly steady?—You will excuse me, but you must know what the object of the Government of India was in sending home those telegrams much better than I do.

6911. I do not ask what was the object of the Government of India, but what was the impression that you derived from reading the telegrams?—My impression was that it was part of the plan to put up the rupee to 1s. 4d.

6912. You are aware that the limit adopted was 1s. 3½d. or thereabouts?—Yes.

6913. That is below 1s. 4d.?—Yes.

6914. Do you think the stoppage of the bills did so very much harm?—I think it did.

6915. How did it do harm? I do not say it did not, but I want to know why you think that it did so very much harm?—Every failure does harm, and that was a complete failure. Then, you probably are aware of this much better than I am, you will see that when there is any attempt to force the price of Council bills by not meeting the natural demand for them, it is almost invariably followed by a re-action. To use an illustration that I used just now, to my view in the trade between India and England the commodities of India are exchanged for the commodities of England; you have, as I have said, a rupee's worth of wheat on one side, and (suppose the rate is 15d.) you have 15d. worth of Manchester goods on the other. The nexus between them is the rate of exchange. If you arbitrarily alter that nexus one of two things must happen, either this price must alter, or that price must alter; either your rupee price must alter or your gold price must alter, or there may be an alteration in each, and I say that a forced alteration, not a natural alteration owing to ordinary economic causes, but a forced alteration owing to your forcing the rate of exchange, must be bad.

6916. I did not at all challenge the soundness of your opinion, that the holding up of the bills to get an artificial rate of exchange did harm; I merely wanted you to explain the grounds upon which you hold that it did so very much harm, and those grounds you have explained?—Yes.

6917. Now you think that if gold coins were allowed to circulate in India, they would be largely withdrawn for hoarding?—I think so; including in hoarding, tying them round peoples' necks and arms.

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6918. And melting them down to make other ornaments?—Melting them down for ornaments; but I think the greater number of them you would see round the necks and arms of the people.

6919. I think you have seen them wearing gold coins?—At page 24 of my book I have quoted a case in point. One of my horsekeepers, a man drawing a wage of only six or seven rupees a month, had a little boy of whom he was very proud. Now, I have seen that boy with absolutely not a particle of clothing on him, but with four gold Russian coins round his neck.

6920. At that time the Russian gold coins were not legal tender in India?—No.

6921. And, nevertheless, they were used in this case for a necklace?—Yes.

6922. At present, gold is not so very largely used for hoarding and ornaments—not so largely used as silver?—Not so largely used as silver, but it is used to a very considerable extent, there is no doubt about that. May I make this clear to the Committee? I may be wrong, but my view is this, that if you put gold coins into circulation it will be like, as it were, opening a retail shop at everybody's door. The gold coins are thrust before the people. You, as it were, create a demand for them. They see them. That is my view.

6923. That is to explain the additional hoarding that you fear?—If the coins are in circulation they will be offered to the people. It is just like putting up a thing in a shop window in the street, except that they have nothing to pay for their manufacture.

6924. The man you speak of, whose wages were six or seven rupees a month, would not frequently have been offered a sovereign, which would be worth 15 rupees even if sovereigns were legal tender?—No, he would not, but he could get it.

6925. He could get it now?—No doubt.

6926. If a gold standard is established there will be a fixed ratio between gold and the silver rupee, which would make the bargain more easy for him, because he would know how many gold coins he ought to get for a certain number of rupees?—No doubt it would come to that.

6927. But he would not be offered gold coins in payment; there would be the advantage that gold coins would not be thrust upon him?—No.

6928. But otherwise there would be no difference as regards this matter between your scheme and the Government of India's scheme?—No. Of course, the great difference between my scheme and the scheme of the Government of India is that the Government of India would introduce theirs at once, and I say that I would not complete the gold standard until the Government were quite certain that things had adjusted themselves so that they would be able always to give gold for rupees, and that might not be for a very long time after.

6929. Suppose, in the meantime, the rate of discount remained very high in India; would you do anything to meet that, or would you just endure it?—I am certainly very much against the idea of forcing gold from England to India. If the Government force gold from England to India they can, no doubt, make money, and make the circulation, more plentiful, and meet that objection. I think circumstances might arise in which it would appear that such serious injury was being done to the trade of the country by deficiency of currency that it might be necessary to do what I certainly do not advocate—that is, to increase the circulation by sending gold to India; or the possibility has occurred to me of buying gold of the Mysore mines at whatever the value might be, and the Government making good the difference between the real value and the nominal value of 16*d.* out of the Treasury, and increasing the circulation in that way.

6930. But, suppose the Government buy we will say five millions of gold and coin it and put into its treasury, that would not relieve the stringency

of the money market, would it? There would be no more money in the banks?—If they sold bills against that five millions I think there would be. I am speaking, of course, with great deference, but I think if the Government sent out five millions of gold to India and sold their bills against it—

6931. Sold bills against it here?—Sold bills on India.

6932. Increased the sale of Council bills?—Yes, surely that would relieve the stringency.

6933. But at what rate of exchange would you sell?—That is another question altogether.

6934. You would hardly expect the Government to sell bills at a rate which would be cheaper to the purchasers than if they sent out gold themselves?—I am not in favour of its being done at all, but I think if that were done, if gold were sent out, it should be only in consequence of some ascertained commercial inconvenience caused by the insufficiency of the currency.

6935. At any rate, your opinion is that, if the rate of discount kept so high in the busy season as to prove a very serious injury to the country, such steps as might commend themselves to those in authority at the time ought to be taken to remedy it?—I think so, if you were quite certain that it was injuring trade. Of course it is very difficult to say whether it is injuring trade or not.

6936. As regards the question of hoarding, we have had evidence that a number of people are too poor to hoard silver or to use it for ornaments. Do you agree with that?—Some are too poor, but a great number are rich enough to do it, and they do it.

6937. The evidence we had was that the people who came on the famine relief works, as a rule, had been so poor that they had not silver ornaments, and therefore were not the class of people who would sell their ornaments when the pinch came?—I should think they would probably have sold them before they came on to the works.

6938. What would you give to the people who brought gold in quantities, say of 10,000 rupees; would you give them notes or silver?—Notes or silver, whichever they liked. Of course I am talking generally.

6939. Where would you find the rupees to give them? Would you take the silver out of the ordinary treasury balances or out of the currency reserve?—Out of the currency reserve.

6940. They bring you so much gold and you put it into the currency reserve and pass out so many rupees to them?—Yes.

6941. If the number of rupees in the currency reserve was diminishing very largely what would you do?—I provide in my scheme to give power for the coining of rupees, but my answer generally to your question is this, that if the constitution of the currency reserve was rapidly changed from silver to gold, you would have done the trick.

6942. I am not putting this as an argument against your scheme. I am merely trying to make clear in my own mind what your scheme is. You would have been approaching, you mean, an effective gold standard?—Yes.

6943. But if the silver rupees were being exhausted in the currency reserve you would coin more?—I provide under my scheme for preventing the Government from coining until at least half of the metallic reserve of the Currency Department is in gold. I would not let them coin silver until then.

6944. What would they do in that case? Would they take so much gold out of the currency reserve and sell it and replace it by rupees, or what would be done exactly?—Either one thing or the other. On page 118 of my book in the draft Act you will find this "and may either issue notes in payment for such "silver at its bullion value, or pay for it at its bullion "value either in gold or silver from the general "metallic reserve." Of course it really comes to exactly the same thing.

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6945. What do you call the general metallic reserve; so far we have got no gold in the treasury balance; it is only a paper currency balance?—That is all.

6946. But here you say, “either in gold or silver from the general metallic reserve.” What is the general metallic reserve?—The general metallic reserve of the paper currency department is now 13½ crores of rupees or, say, 8,833,000*l*.

6947. You would not look to paying it all in gold?—By gold or by notes.

6948. A certain proportion of gold in the Paper Currency Department would be used to purchase silver for coins?—Yes.

6949. There would be a profit on that?—Clearly.

6950. What would you do with that; would you put that into the general treasury balance?—No, I put it into what I call an equivalence fund.

6951. A special reserve?—Yes. Say you coin a crore of rupees, and it costs you 80 lakhs. I put the 20 lakhs in gold in a special ear-marked gold reserve.

6952. Now, why do you object to gold being hoarded? Why should not people hoard the standard of value of the country if they want to do so?—The only reason I object is because it may make the attainment of the gold standard, which many of us so much desire, so much more difficult.

6953. In what way? Do you think the gold would be withdrawn from circulation?—Yes, it would.

6954. When we had a silver standard, rupees were hoarded and melted down, but the rupee circulation remained just the same. Why should not that happen in the case of a gold standard?—Well, when you get your 16*d*. rupee it will be all right; but I am going on the assumption that you have not got it yet, and I do not know when you will get it. When you do get it, and when the money of the country is firmly established at the rate of 16*d*. in gold for the rupee, then, no doubt, people will hoard it as much as they please. You cannot object to their hoarding it.

6955. Then the only objection, I understand, that you have is that if coins went into circulation they might be hoarded, and your gold backing might be lessened?—You would not get it so quickly.

6956. It would disappear as it came in?—Yes, and also there is one other point. Of course there would be a greater demand for gold on the gold stock of the world.

6957. I do not know whether you think there is any force in that argument or not; but the first argument is that the gold would be withdrawn from circulation, and therefore it would take you a longer time to accumulate a sufficient backing for your gold standard?—Yes.

6958. I suppose you would admit that if the gold standard were established, and gold coins were circulated, any withdrawal of gold from circulation would be met by a corresponding import, in the same way as happened when the silver standard existed. If silver rupees were withdrawn and melted into ornaments every year, silver was imported every year, and went into the mint?—I would rather like to put it in this way: If gold did come in that way to replace any of the withdrawals, you would have your perfect gold standard.

6959. The net imports of gold into India are about two or three millions sterling?—Of course they have been much more than that.

6960. But at the present time they are two or three millions sterling?—In 1895–96 they were 2½ crores of gold.

6961. There is now a considerable production of gold in India, and at any rate, there is two millions or three millions sterling worth of gold used in the country now every year?—Yes.

6962. Do you look forward to the time when that gold, in the ordinary course of business, will come into India, and come into the mints to be coined? In the old days almost all the silver that went into India

was sent to the mints, and was coined, and the coin was sent out in the form of rupees, and used for any purpose for which rupees or silver were required. Do you look forward to the time when all the gold that comes into India will be sent to the mints, and as much as may be required will be gradually taken out of circulation for ornaments, for hoarding, or for any other purpose?—I should think so, when once you have a gold standard.

6963. Do you think that the withdrawal of gold for hoarding would make such a serious impression upon the stock of gold in the world as to make it desirable to prevent hoarding?—It is my individual opinion that it would. Of course, it is only a matter of opinion. You cannot tell at all until it is really tried.

6964. You know how largely the production of gold has increased?—Yes.

6965. And you know that it will certainly be much more?—Yes.

6966. Do you still think that the hoarding in India might be a danger?—I am quite sure it will be a difficulty.

6967. The question is whether it would be a danger as regards the stock of gold in the world, a danger in the way of causing a serious appreciation of gold?—Hardly, I should think; but, whatever danger there is, I am quite certain it would be accentuated by sovereigns, as we may call them, passing into circulation.

6968. If there was really any such danger, would not that be a serious objection to attempting to establish a gold standard at all; I do not say there is such a danger, but if there was would not that be a serious objection to the establishment of a gold standard?—It might make it more difficult. I do not think it would be sufficient to require us to give up the attempt.

6969. At the present time the exchange has come to nearly 1*s*. 4*d*.?—Very nearly.

6970. Do you look upon it as quite certain that that is permanent?—Oh, no; I think a great deal will depend upon the report of this Committee.

6971. But I mean if things are left as they are, do you think there is any risk of the exchange going seriously below 1*s*. 4*d*.?—I think if things are allowed to slide as they are, it may go down very much lower. You cannot tell.

6972. But with the currency contracting, as it said to be contracting now, would the tendency be for the exchange not to fall below 1*s*. 4*d*.?—It might be, but there are other causes at work.

6973. What are the other causes?—I think the principal one is mistrust.

6974. Do you think mistrust would put the rate of exchange down permanently or temporarily?—As long as it lasted. I think one thing which regulates the value of the rupee is the prospect of what it will hereafter realise in gold.

6975. Do you not think that if the exchange fell largely from mistrust or panic, that fall would stimulate exports and check imports, and bring about a balance of trade which would cause the exchange to rise?—Perhaps so.

6976. Do you think the large borrowing in recent years has had any effect on the rates of exchange?—I think it has.

6977. It has helped to keep it up?—Of course.

6978. Do you think the last good harvest has had an appreciable effect?—No doubt.

6979. I dare say you admit that the rate of exchange might rise and fall without any alteration in the quantity of currency?—My view is this. Of course this does not directly apply to India, but with an ordinary silver standard country, as India was before the closing of the mints, the volume of the currency depended more on the value of the rupee than the value of the rupee depended on the volume of the currency,

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6980. You say the volume of the currency depended on the value of the rupee?—Yes, I think the volume of the currency adjusted itself to the value of the rupee.

6981. Do you think if the rupee suddenly fell 20 per cent. at a time, the volume of the currency would immediately fall or rise also?—It would not at once, but it would tend to do that.

6982. (Sir A. Dent.) One question about the note currency. Your scheme is entirely based on a paper currency, is it not?—It is based on the existing Paper Currency Department.

6983. That is to say, it provides for the use of paper currency against metal?—Yes; but you have already a Paper Currency Department in India at present. My scheme is simply this: You could exchange your existing notes into gold; *ipso facto* that puts your rupees which you exchange into notes on a gold basis. Suppose you have 10,000 rupees. You go and exchange them into notes, and then take your 10,000 rupee notes and exchange them for gold.

6984. To carry out your scheme you would have to add very largely to that paper issue against metal?—Not necessarily.

6985. My real point is this: Is it possible to keep any large amount of paper currency in circulation in India? Will not it be presented for payment almost as soon as it is issued?—It has not increased very largely of late except temporarily, owing, I think, to temporary causes. A great deal depends on the amount of the Government balances; but it has gradually increased. There is a tendency to increase.

6986. Then the natives do not object to holding paper?—Oh, no; some of them like it.

6987. I thought the natives rather objected to having paper?—We have some people who are more ignorant, of course, than others; but my evidence on this subject would not be worth much, because it is so long since I left India, and I have no doubt they have got better.

6988. (Mr. Holland.) These papers with which you have favoured us, I see, bear date some years ago?—Yes.

6989. Although they are rather old, some of them, and a good deal of experience has been gained since they were first written, I should like to inquire whether your view has been modified by that experience, or do you still hold to the views you expressed at the time you wrote these papers?—I think I do. Of course, I think as I have got older I have got a little bit wiser; I hope I have. I may say that, at one time, I did not see the difficulty of changing from silver to gold quite so forcibly as I see it now. My first idea was this: I always had the impression that any change which you might make should be merely at the ratio of the day. My first suggestion was that the rupee should be fixed at 1s. 6d., and I think at that time the rupee was at something like 16½d., I am not quite sure. I think, if I had to begin again, I should certainly put it lower than 1s. 6d. As you will see, my subsequent suggestion was to put it at 15d.

6990. And although the difficulties have become more apparent in the interval, that would not deter you from pressing forward a gold standard?—Not a bit. I should like to mention this: One great difficulty in the way of the scheme appeared to me to be the unknown quantity of hoarded coined rupees in India. That difficulty has proved not to be anything like as formidable as I feared it might be. Another difficulty which I always apprehended was the political difficulty caused by the divergence between the present rupee value of the hoards of uncoined silver in the way of ornaments and the rupee price which the people gave for them. That difficulty has not turned out to be so great as I first of all thought it would be. In fact, so far as I can understand, the natives are, to a very great extent (this is only second-hand evidence),

taking advantage of the low rupee price of silver to turn it into ornaments.

6991. Of course, it goes without saying that you prefer your own scheme to any other which has been brought before us; but as between Mr. Lindsay's scheme and the scheme of the Government, which of those two would you prefer?—I prefer Mr. Lindsay's scheme to the Government's scheme, I think, but not altogether. I think Mr. Lindsay is wrong in not keeping his gold reserve in India.

6992. It probably might not be long in getting to India?—Well, he makes no provision for its getting to India at all.

6993. Do you think that the Government proposals are practicable?—There are two points on which I differ with the Government's proposals. First of all I would not force gold to India as they propose to do by borrowing money in England and sending it to India. I would rather myself wait five years to get five millions of gold automatically in the natural course of trade, than I would get five millions at once by its being forced.

6994. Of course, I am prepared to hear that yours is the better scheme, but do you think the Government proposals are practicable if the Government set their face to carry them out?—I think it would be a mistake to melt the existing rupees.

6995. You think that the convertibility of rupees into gold is quite essential?—Before you get your gold standard; but I say it may be several years—many years—before you arrive at that stage under my scheme.

6996. You think that convertibility would by this time have been attained if Government had originally fixed 1s. 3d.?—I think so.

6997. And if convertibility had been attained, then the trying period of suspense through which we are passing would have come to an end?—Yes.

6998. Is not that one of the most important objects at which we could aim, to terminate the period of suspense which has been so disastrous?—No doubt.

6999. This period of suspense, I dare say you will agree, is responsible for the scarcity of loanable capital in India which has been the bane of the situation as far as I can gather?—The period of uncertainty, yes.

7000. We had a very important witness before us, who said that he preferred immediate convertibility at 1s. 3d. rather than have any delay in attaining convertibility at 1s. 4d. You do not agree with that?—I do not think so. I think you would injure your whole scheme by it. I think the moral effect, if you like to call it so, of going back to 1s. 3d. would be very bad.

7001. You have told us that it is quite impossible to estimate the quantity of gold that would be required under your scheme?—Quite impossible. I could not estimate it.

7002. And in the same way it would be quite impossible to estimate the interval of time that would elapse before the establishment were successfully carried out?—Yes.

7003. Those are serious blots upon any scheme?—Meanwhile, I think, every day the position would be getting better.

7004. (Mr. Campbell.) You are aware, no doubt, that your scheme gives the holder of gold notes a very valuable option?—No doubt it does.

7005. That is the option of demanding cash for his notes or demanding to have the gold back again?—Yes.

7006. Supposing 1s. 4d. is the gold point, if the exchange falls below 1s. 4d., gold would rise in value?—Yes.

7007. And these gold notes that you propose to issue might command a premium?—No doubt.

7008. Whenever gold rose to bullion point, would not that fact make gold a very desirable remittance to India as compared, for instance, with Council bills?—Yes.

7009. A Council bill only commands cash, but your note gives the holder the option of commanding either cash or gold back?—Yes.

7010. Then, if you give the holder of your gold note that option, that fact might very seriously interfere with the sale of Council bills whenever exchange rose to near bullion point. Suppose the bullion point is 1s. 4d.; at 1s. 4d. would you, as a remitter, prefer to take a Council draft which you could only cash, or would you prefer to take a gold note which you could either cash or sell at a premium afterwards?—If it acted in that way it would be bringing about just exactly what I want. It would be bringing about the remittance of gold to India.

7011. But how about the sale of Council bills? That is a necessity?—It would not go on for ever. I did not like to look at it in that sanguine way, but it would all be in favour of getting gold to India, which I want.

7012. But you must sell the Council bills. If you get the gold to India at the expense of not selling your Council bills, would that be an advantage?—But you would get your remittances back again. Suppose you had all this gold in India you could send it back to London instead of your Council bills.

7013. Send them out and back again?—I hardly like to differ with you, but I think that is taking a much more sanguine view than I should take of my proposals.

7014. I only put it in this way, that if the exchange rises to 1s. 4d., people would remit in gold, which might command a premium afterwards, rather than in Council bills, for which they would only get cash?—I think they would; they might. I will not say they would.

7015. (*Sir F. Mowatt.*) And that would reduce the price at which the Council bills could be sold?—But, at the same time, Mr. Campbell's hypothesis involves gold coming to India, which is my object.

7016. (*Mr. Campbell.*) I mean, exchange rising to the gold point. Your object, of course, is gradually to acquire a stock of gold in the Currency Department sufficiently large to enable you to get ultimately convertibility?—Yes.

7017. From that point of view, would you consider it desirable to introduce a condition which discourages gold going to the Currency Department as long as it can be held back? A man who held a gold note would not cash it as long as he could avoid doing so, as then he would lose his power of commanding the gold?—Clearly.

7018. Would not that rather tend to tell against your object—the object of accumulating gold in the Currency Department?—I do not think so. You would get gold for these gold notes which you otherwise would not get at all. You would not prevent any gold going to the Currency Department. On the contrary, say a bank in India might have a certain proportion of its reserve—I do not say it would have—but it might have a certain proportion of its reserve in these gold notes. Suppose a pressure for circulation purposes came on, they would, no doubt, cling to these notes as long as they possibly could; at last the pressure would be too great for them, and they would have to change them into the ordinary circulation of the country.

7019. Still, might not the Presidency banks keep their reserves in the form of gold notes to a very large extent?—No doubt they could.

7020. I think you propose that as long as the gold note is outstanding, the gold is to be kept in the gold reserve against it?—Yes; it is ear-marked.

7021. I think you said that if a man had gold notes and rupee notes, he would cash the rupee notes before he would cash the gold notes?—Clearly.

7022. A good deal of gold might come out in this way which would never reach the Currency Department at all; it might be floating about the market in the shape of gold notes until those notes could be

sold at a premium, and then the gold would be withdrawn?—Yes.

7023. Either for re-shipment back to England or for use in the country?—Yes, and to that extent the General Currency Department would not be benefited at all. The only point is that the gold would be on the spot, so that in case of pressure it could at once be utilised.

7024. Do you think it would be desirable to have two kinds of currency notes circulating together, one a currency note pure and simple, which would be the rupee note, the other a combination of the currency note and the gold warrant?—There is no doubt that my scheme is theoretically unsound, but I will tell you another thing that is unsound. In Berlin, if you hold 2,000,000*l.* of gold, you cannot get that 2,000,000*l.* of gold from Berlin. Of course, the difference I have mentioned between the value of my gold note and what you call the cash of the country would be sometimes very much greater than the difference between the value of the gold at Berlin and the cash there; but it is the same principle, and the same thing applies to Paris too. You have your double system there. It is not, theoretically, sound.

7025. But is it necessary in your scheme that there should be that double system of notes? What do consider the advantage of issuing a gold note instead of issuing cash at once, and taking the gold direct into the Currency Department?—The result is this. I think it would have a tendency to coax gold to India. It might. I do not say it would, but that is my object instead of forcing it to India as the Government propose. I say that is no good. I would rather coax it to come to India. Of course, it is theoretically unsound I admit, but I think that, practically, it might do some good.

7026. You do not approve of sterling borrowing in order to acquire a stock of gold?—Certainly not.

7027. You prefer the gradual operation of trade influences?—Yes.

7028. I daresay you are aware that India has always commanded a large balance of the precious metals?—Yes.

7029. She has always been able to import largely gold and silver?—Yes. There has been a great deal of misapprehension in consequence of a letter published by Sir Robert Giffen alluding to India as a debtor country. I think that is very misleading and absolutely incorrect.

7030. She has always been able to import sufficient of the precious metals, not only for currency, but for hoarding and every other purpose?—Very large quantities.

7031. And you see no reason why she should not continue to be able to do so?—No.

7032. On page 45 of your book you use rather an important proviso with regard to that. You say, "if a reasonable rate is fixed." And again, on page 61, you say, "If the rate be not fixed too high." At that time you were in favour of a 1s. 3d. rate?—Yes.

7033. As regards your belief that a reduction from 1s. 4d. to 1s. 3d. would be a breach of faith, I suppose you are not aware that at the time the scheme of 1893 was carried through, it was expressly left open what should be the rate. Although 1s. 4d. was mentioned as the rate at which gold would be received in exchange for rupees, it was distinctly stated, both in the report and in the despatch of the Indian Government, that the rate was to be subsequently fixed according to the light of experience?—As I read the report and the minutes appended to the report, I take it to mean that the rate would never be lowered, but might be raised. I cannot give chapter and verse for that, but that is the impression it left on my mind.

7034. The idea was, no doubt, with a view to a rise of the rate, but if a rise, why not a fall? One would be a breach of faith equally with the other, would it

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not?—Well, you see, we were embarking on a new venture, and the indications which were being held out in the course of that venture were that the rupee would go to 1s. 4d.

7035. And, if experience showed the necessity for it, it might be altered one way or the other. I think that was expressly kept open. Why would you consider it more a breach of faith to revise the rate between gold and silver than to close the mints altogether? While the mints were open, any man could come and bring silver, and have it coined into rupees. Is it not a breach of faith, equally, to close the mints, and deprive the holders of silver of that privilege?—I will put it in this way. There is no doubt when the Government closed the mints to the coinage of silver as a first step towards a gold standard, it was, to a certain extent, a breach of faith. That was one breach of faith, but then here is another one—to my view not such a big one, but it is another one.

7036. Notwithstanding the fact that the Government expressly kept the point open?—Yes; but that was not the way in which it was generally taken.

7037. If it applied in one way, it surely ought to apply in the other also?—There is no doubt that the way in which it was put led the public to think that that was the rate aimed at for the rupee; and, as you know, immediately after the mints were closed there was a great speculation in rupee paper in consequence, which had the effect of putting up the exchange to that rate, temporarily.

7038. I suppose you will admit that at 1s. 3d. your scheme would more easily be carried out than at 1s. 4d.?—Undoubtedly. I will not say now, because the world generally knows that we have been trying to get a 16d. rate, and I think if you went back now it would be a confession of failure, and people would not know how much further you might hereafter go back.

7039. Your scheme provides that, when a gold note is issued, the gold is to be transferred to the currency reserve?—Yes.

7040. And cannot be taken out of that until convertibility is declared?—No.

7041. As regards the public, that would be absolute?—Absolute.

7042. Would you give the Government any privilege?—No.

7043. You would not permit them to use a portion of the gold if the exchange were to fall say one farthing below your price. You would not give them the privilege of sending home a portion of the gold?—No, except where it was necessary to increase what you call the cash circulation of the country; and then, if the proportion of gold to silver admitted of it, I would allow silver to be bought and coined.

7044. Supposing there were, say 4,000,000*l.* or 5,000,000*l.* of gold in the Currency Department and the rate of exchange were to fall to, say, 1s. 3½*d.*, would it not conduce to the stability which you so much desire if the Government were to have the power of sending home so much of that gold instead of selling bills at the lower rate?—I do not think it would in the long run. I think the assurance of the public that the gold had been gradually accumulating there would conduce more to the stability of the rupee permanently than any temporary rise in the rate of exchange.

7045. Then as regards your equivalence fund you would propose to put the profit of any coinage into a fund bearing that name in order to secure the difference between the nominal and the intrinsic value of the silver which was coined?—Yes.

7046. How would you make the fund effective for that purpose?—It would not be effective for that purpose until the Government had undertaken to give gold in exchange for notes and rupees, but suppose that fund went on growing it would tend to enable the Government to make it effective.

7047. Do you mean that it would enable the Government to purchase gold again in order to exchange for

rupees—to purchase gold and bring it out to India and cover the loss by a transfer from this fund?—It would go on to strengthen the gold currency reserve. If you will turn to page 52 of my book you will see my plan illustrated by a purely hypothetical statement. The last column is the equivalence fund, or, as I call it there, a “special gold reserve to meet new silver.” It ends in gold to the value of a crore of rupees having been added to the currency reserve as the result of 5 crores of new silver coinage.

7048. But after convertibility was declared, suppose the reserve of gold were tending to disappear, would you use the equivalence fund to purchase gold to enable you to continue conversion?—After convertibility is declared I propose to merge all the gold reserves into one; the gold note reserve, the ordinary reserve of the Currency Department, and the equivalence reserve.

7049. How would you maintain the difference between the nominal and the intrinsic value of the rupee?—Perhaps you would allow me to explain that by reading from page 119 of my book. I say “on the issue of the notification prescribed by section 17 of this Act, transfers to the equivalence fund under sections 14 and 16 shall cease and the gold then in the equivalence fund, and the gold in the gold note reserve, shall be transferred to, and form part of, the general metallic reserve. And all the gold in this general metallic reserve shall be available for securing the exchange into gold of gold notes, rupees and rupee notes, without priority of either over the other, and the gold notes and the rupee notes shall be deemed to have been issued on, and the rupees in circulation shall be deemed to be supported by, the security of such general metallic reserve, and of the invested securities as well as by the general credit of the Government of India.” I put them all into a lump together, and there is an end of it. Once the notification is issued, there is an end of the whole thing, because you have your gold standard.

7050. But suppose the gold disappeared, what would you do then?—Then it would be a failure.

7051. Would you propose any limit to convertibility?—No, except that I would not convert anything less than 10,000 rupees.

7052. But supposing the reserves were reaching the vanishing point, you would not give the Government any option?—No. Of course, what would happen then I do not know, but it would be a failure.*

7053. (*Chairman.*) You told us in the early part of your evidence that the rate of exchange was practically fixed by trade requirements. What effect on the rate of exchange has the price of silver?—I do not believe it has any other effect than the bullion value of piece goods, for instance; that is my opinion.

7054. That is, the gold price of piece goods?—The gold price of piece goods in England, and the rupee price in India. I think it acts in exactly the same way. Perhaps silver is a commodity which finds a readier market, but I believe that is the effect of it.

7055. You do not think that the low price of silver affects the rate of exchange?—I do not think so, except as any other commodity. I am very strongly of opinion that something might be done, by giving facilities for refining &c., to coax the gold production of India to stay in India, instead of being brought home and taken out again. I have got particulars from one of the principal gold mines in India of the cost of remitting their gold from India to England and refining it, which I thought might be interesting to the Committee. (*The Witness handed in the following statement.*)

* Note added by Witness:—

My safeguard against failure is that the notification would not be issued until the Government was certain of its ability to carry out what it undertook. Though my ideal standard would not be reached until the notification had been issued, the gold standard would be practically secure when the gold notes had become a material part of the effective circulation.

Particulars of gold produced from an Indian mine in the month of April 1898, exchange $1\frac{1}{3}d.$:—

	£	s.	d.
Gross produce of 4,202 ozs. of bar gold (silver included).	15,781	9	10
Commission at $\frac{1}{8}\%$	19	12	5
	15,801	2	3

Deduct :—	£	s.	d.
Melting and assaying	5	11	0
Refining	70	0	7
Indian freight and insurance	42	6	6
Ocean freight and insurance	101	3	1
	219	1	2

Net produce in London - £15,582 1 1

Cost at above rates on produce of 1,500,000*l.* :—

	Percentage.	£
Melting and assaying	·035	525
Refining	·443	6,645
Indian freight and insurance	·268	4,020
Ocean " "	·640	9,600
Total	1·386	£20,790

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The Witness withdrew.

(For Mr. J. F. O'Conor's evidence on this day, see *supra* p. 48.)

SIXTEENTH DAY.

Tuesday, July 19th, 1898.

PRESENT :

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I. (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. ROBERT STEEL, C.S.I., called and examined.

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7056. (*Chairman*.) Will you tell us your address, and what qualifications and experience you have?—My address is 2, Ryder Street, London. I was formerly a merchant in India. I resided in India altogether 27 years. I was mercantile member of the Legislative Council of the Viceroy for four years.

7057. Under whose viceroyalty was that?—Lord Dufferin's and Lord Lansdowne.

7058. You have had considerable experience not only in connection with mercantile affairs generally in India, but especially in reference to jute?—Yes, I have been President of the Chamber of Commerce of Bengal, and for many years a member of the Port Trust.

7059. Were you opposed to the closing of the mints in 1893?—I was.

7060. Will you tell the Committee your reasons?—Because it appears to me that you must have either a silver or a gold currency. If you have a sound currency at all, it must be based on the one metal or the other. I disapprove entirely of the idea of having a gold standard without a gold currency.

7061. I will bring you to that in a moment, but for the present, will you confine yourself to telling us what were your opinions at the time of the closing of the mints?—It appeared to me that it was a disturbance that was absolutely unnecessary. India was not suffering in any way from a depreciation in the purchasing power of the rupee.

7062. But do you not think the Indian Government was suffering?—The Indian Government might have

been suffering, but all they lost was going into the pockets of the people, and it was easy for the Indian Government, by some change in their fiscal arrangements, to re-imburse themselves without any undue burden on the people.

7063. Could they have re-imbursed themselves without additional taxation?—It would not have been additional taxation, if the purchasing power of the rupee went down, to charge a greater number of rupees.

7064. But the Indian Government has to pay a certain amount of gold in London, and that gold is practically remitted, as you know, by means of the Secretary of State's drawings. If he draws at *1s. 4d.* the rupee, there is only a certain number of rupees to be found for the purpose. If he draws, as I unfortunately had to do, with the rupee at *1s. 0½d.*, a greater number of rupees have to be found?—Let me give an illustration of what I mean. Suppose the salt duty is 2 rupees 8 annas per maund, and the purchasing power of the rupee falls, it will be perfectly fair upon the native to charge a greater number of rupees per maund as duty on salt.

7065. Do you propose to increase the salt duty?—I am bringing that forward as an illustration. I would put it on salt and other things too. I may say that the land revenue automatically increases with every fall of the purchasing power of the rupee.

7066. They have to find a certain number of rupees. I do not quite follow you?—With every fall in the purchasing power of the rupee the producer

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gets more rupees for his produce. The land revenue is based on the produce of the soil. The Government takes a certain share of the produce of the soil. If the number of rupees produced by the soil increases, the Government are entitled to take a greater number of rupees.

7067. Is that so?—Undoubtedly.

7068. I am under the impression that the land revenue is fixed every 30 years?—But these settlements are continually falling in. The Indian Government are continually making re-settlements.

7069. But not re-settlements with the same man. When a settlement is fixed for 30 years they cannot re-open it?—But these are falling in, and there is no reason why the Government should fix upon 30 years. It is a mistake to make such a long term of settlement. There is no reason why the Government should not make a settlement every 10 years. In that case the difficulty would disappear.

7070. Do you consider at the present time there is any insufficiency of currency in India?—Last year or two, undoubtedly, there has been a very great stringency of money.

7071. To what do you attribute that stringency?—To the closure of the mints.

7072. Has that stringency prevailed both in the slack season and the busy season?—It is intensified in the busy season, and even in the slack season there is a considerable stringency. The money rate has gone down now to 6 per cent., but it prevailed in Calcutta at 12 per cent., and a man who wanted to borrow money, even giving first class security, had to give 12 per cent.

7073. What do you think was the cause of that?—I think the special factor was the closure of the mints.

7074. But the mints are closed to-day, and the bank rate has gone down to 6 per cent.?—That is because business is not active. This is the slack season of the year in India.

7075. But I understood you to say that the stringency prevailed, both in the slack season and in the busy season?—To a certain extent. We have money now at 6 per cent., and probably it would have been 4 per cent. but for the closing of the mints, and we do not know whether it will not be worse than ever in the next busy season.

7076. Do you attribute that at all to a deficiency in loanable capital?—Entirely.

7077. Then you think capital is leaving India?—I have no doubt of it, whatever.

7078. To what do you attribute that?—To the uncertainty as to the value of the rupee.

7079. To the instability of exchange?—To the opinion entertained by the financial world that the Government will be absolutely unable to maintain the 1s. 4d. rate. They think that the rate will probably go down very considerably, and they are afraid to send out money for investment. The truth is this: suppose a financial man finds that he can get 12 per cent. in India, and he can only get 3 per cent. in England. That is a great inducement for him to send out money for investment, but when the financier expects that the Government will be unable to maintain the 1s. 4d. rate, he thinks that all he has gained in interest, and perhaps more, will be lost to him when he comes to have his capital returned to England.

7080. If the rate of exchange were fixed, do you think that that fear would be warranted?—In the financial world they doubt the power of the Government to maintain the rate. So far as I can gather, they agree with me, that it is utterly impossible.

7081. Are you in favour of the re-opening of the mints?—I am.

7082. At once?—Well, I would take some gradual steps to do it, so as to avoid disturbing the existing contracts as much as possible.

7083. If the Government announced their intention to re-open the mints, even if they did it gradually, would not the effect be practically the same?—No, it

would come gradually. There are plans by which it might be brought about gradually.

7084. If the mints were re-opened, to what do you anticipate the rupee would fall?—The effect of re-opening the mints would be to cause an advance in the price of bar silver and a decline in exchange. The two would meet somewhere between the principal points. The rupee at present is worth intrinsically 11d., and exchange is at something like 1s. 3½d. The price of bar silver would go up and the exchange would go down till they met. I do not say at what point they would meet, but I think it is only reasonable to suppose that they would meet about half way.

7085. Do you think an annual demand of rupees equivalent to 6 crores of silver would raise the price of silver?—I think it must do. We have no demand now, practically, and if the mints were opened there would be a considerable demand, which must raise the price of silver.

7086. Of course you are aware that under the Sherman Act there was the prospect of a rise?—And that had an extraordinary effect on silver. Silver went to 56d. an ounce.

7087. For how long?—As soon as the purchases of the American Government stopped it came down.

7088. But it came down long before the purchases of the American Government ceased?—It began to come down then.

7089. Just give us the exact figures. The American Government did not repeal that Act until after the Indian mints were closed?—That is true.

7090. What was the price of silver when the mints were closed?—I have not the exact figures here.

7091. I will give them to you. In 1886–87 the price was 45½; in 1887–88, 44½; in 1888–89, 42½; in 1889–90, 42½; in 1890–91, 47½; in 1891–92, 45½; in 1892–93, 39½; in 1893–94, 35½; in 1894–95, 28½; in 1895–96, 29½; in 1896–97, 30½; in 1897–98, 27½. It went even higher, temporarily, than those figures.

7092. That is the average for the year. Do you think that the settlement of the Japan currency, the value of the yen being practically fixed equivalent to the value of the rupee at 11d., would have any effect on the exchange value of the rupee?—I do not think it would have any very great effect.

7093. Do you think it would be no disaster to India for the exchange value of the rupee to go down to its bullion price?—Certainly not. I think it would be a great advantage to India.

7094. Assume that it went even considerably lower than now?—Yes. I do not fix any figure at all.

7095. Have you any opinion of your own as to the effect of having too much currency in a country?—I see a good deal is said about the redundancy of currency. It appears to me that that is a mis-use of terms. There is no such term as “redundancy” fairly applicable to the standard of value. It may be applicable to rupees under the present system, but there is no such thing as redundancy of money; the more money you can have the better.

7096. If it be token money?—If it be token money, of course that is a different thing.

7097. What is your opinion as to the effect of a continued fall of exchange on, say, first of all, agriculture?—The effect would be to make the price of agricultural produce rise as expressed in rupees.

7098. What would be the effect on wages?—The effect would be to make wages rise.

7099. And all the other products of India—tea, jute, and indigo?—It would make the rupee price rise, undoubtedly.

7100. (Sir F. Mowatt.) The price as expressed in rupees?—The price as expressed in rupees.

7101. (Chairman.) Have wages and the cost of the necessities of life been rising or falling since the mints were closed?—They have been rising.

7102. Supposing the result of the opening of the mints should be to reduce the rupee, say, to 10d., how do you propose that the Indian Government should meet its obligations?—By additional taxation. I

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think a good deal of the loss would be automatically recovered, and the deficiency could be supplied by increasing the taxation in proportion. It involves no hardship to anybody. The railway rates might be increased. It is perfectly fair if the standard of value decreases, to increase the amount charged for carriage on the railways.

7103. Have you considered that at all from the political point of view?—I do not believe in any danger from the political point of view. India is perfectly contented and happy, if she were only let alone, and the Government did not interfere with her currency; she has had a period of great prosperity, and it will go on.

7104. You, therefore, differ from those experienced Indian officials, from Lieutenant-Governors downwards, who tell us that it would be a very great political danger to attempt any increase of taxation? You do not agree with them?—I do not agree with them; I think the Indian Government is very timid.

7105. Now, perhaps it would be more agreeable to you, and it would be interesting to us, if you would make any general statement you like to make to the Committee upon the whole question?—I did not think it would be right for me to trouble the Committee by making a speech or preparing an essay on the question, but the points I wish specially to give evidence upon are these: I think it was wrong to close the mints. I think it was an injury to Indian interests. I think the Indian interests have been injured since the closing of the mints by the conditions that have followed. I think it would be comparatively easy to open the mints again. I think the proposals of the Indian Government to melt up rupees, and cause additional stringency, are absolutely inadmissible and would do a very great deal of injury to the country.

7106. Have you considered Mr. Lindsay's scheme at all?—I have read it. I do not believe it would succeed.

7107. In fact, if you had a perfectly free hand, as I understand, you would re-open the mints?—Yes.

7108. You would let the exchange value of the rupee follow, automatically, the market price of bullion?—Certainly.

7109. And whatever difficulties that might inflict upon the Indian Government, you think those would be temporary, and would eventually disappear, and that in the meantime any special financial burden could be met by temporary additional taxation?—Exactly.

7110. (*Lord Balfour of Burleigh*.) I think I heard you use the expression that all that the Government had lost would be going into the pockets of the people?—Yes.

7111. Who are the people?—The producers of India.

7112. You think it would all have gone into the pockets of the producers?—There is no doubt that it has done.

7113. Are all the producers, those who are interested in the production, the people of India?—The Indian agricultural producer is about 60 per cent., I think, of the whole number of the people.

7114. Would he have been the only person who would have benefited?—He would have benefited in the first instance, and there would have been a rise of wages also, and everybody would have benefited.

7115. We have been told that wages to the producer did not rise; that the benefit which he got was that he got part of his remuneration paid in food stuffs, which cost the employer more, but which of course remained the same to the producer?—That is one part of his remuneration, but the other part is in wages, and there is no doubt that wages have risen all over India.

7116. You say there is no doubt, but can you give us any instances in which wages have moved upwards with a fall in the value of the rupee?—I have lived in the Province of Bengal. In rural Bengal wages

have doubled within the last 20 years, so far as I can make out.

7117. What wages?—I am speaking now of the agricultural labourer—not the owner or cultivator of the soil himself, but the man employed by the owner or cultivator to assist him.

7118. Can you give me any particular case? I do not doubt for a moment that you are under the impression that what you say is absolutely correct, or you would not say it; but the evidence here from almost everybody who has been before us has been so strong that the amount paid in currency to the labourer has not increased that I am rather anxious to have a little more information about it?—It is difficult for any one in my position to make certain about these matters, but I have made a great many inquiries. I have taken an interest in this question, and I am told that the agricultural labourer in Bengal can now get 4 annas a day whereas 20 years ago he could only get 2 annas a day.

7119. Can you refer to any authority who can give us original information about that?—I do not know that I can. A friend of mine, the Maharajah Doorgah Churn Law, gave me his experience, but, of course, he is in India, and he is not available.

7120. Could we not write to him?—The Government of Bengal could find out for you. I might, I think, bring forward instances of tea planters. A letter was written, I think, under Sir David Barbour's régime to the tea planters of Darjeeling, which made out that all that the tea planter was gaining by the fall in exchange the labourer was losing.

7121. Do you agree with that?—I do not agree, because the tea planter is bound under contract to supply his coolies with rice at 3 rupees per maund. The whole expenditure of the coolie is on his food, and if the rice is given to the coolie at a fixed price it does not matter to him what is the purchasing power of the rupee.

7122. (*Sir D. Barbour*.) I think the letter to which you refer does not go quite so far as that. According to my recollection, it said that if there was a depreciation of the currency, although the tea planter got a higher price and might make a special profit, some proportion of that profit probably was made out of the labourer temporarily or for the time being?—But it was not mentioned in the correspondence that the tea planter is bound under contract to supply his coolies with rice at a fixed price.

7123. (*Lord Balfour of Burleigh*.) You would include the tea planter under your general description of the Indian producer?—Certainly.

7124. Would you also include the shareholder in this country as among the people of India?—Yes, I think I should. I think a man who invests money in India ought to get something out of it. In my view the crying want of India is the development of its industries. The population of India is increasing at the rate of 3,000,000 a year, and we are obliged to do all in our power, I take it, to find new industries for them—to develop agriculture, to increase the means of communication, and provide manufacturing industries. Those are the things that it is absolutely essential for us to do in order to meet the wants of the growing population. That is only to be done with plenty of loanable capital.

7125. And that, I suppose, is only to be got permanently when confidence is thoroughly established?—I think so.

7126. And the establishment of confidence would get you loanable capital, I suppose, at whatever figure the rupee was standing?—I think the establishment of confidence would bring that about. If you could absolutely establish the rupee at 1s. 4d. and the people were confident that that rate would be maintained, I have no doubt that loanable capital would go out, but at the present time there is not that confidence.

7127. You think that if it were to be announced that the Indian Government was to change its policy and ultimately reopen the mints, arrangements could

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be made by which the transition could be brought about gradually?—I do.

7128. Would you outline those arrangements to us?—I think there are three plans. The first would be when the rupee in the slack season comes down, we will say, to 1s. 3d., that the Government should then announce that instead of giving 15 rupees to the sovereign they would give 16 rupees. Another would be that the Government should undertake and announce its intention of coining, say, 5 crores of rupees a year for a certain number of years. A profit would be made upon that which would not be a real profit, because it would be a form of taxation; but Government might undertake that any profit made should be employed in paying off the gold obligations.

7129. You say that they should announce that they would coin 5 crores of rupees for a certain number of years. Is it your intention that they should buy that silver in the open market or coin it for anybody who offers it?—I should buy it in the open market, and I should draw Council bills against it, and the profit that is made upon it would pay off gold indebtedness. That is the second plan; but the plan that I prefer to any of these is one suggested to me by a high financial authority, whom, I believe, you have examined, Mr. Henry Raphael. He told me that if it were desired to open the mints, the best way would be the plan that I am now going to sketch out. He says you may announce that the mints are open to silver to be coined as it is paid in in order of delivery; that you will coin 2 lakhs of rupee a day, and that you will pay for it in Treasury drafts at 10 days, that is to say, that the first 2 lakhs of silver presented at the mint will be paid for by drafts at 10 days' sight; the second 2 lakhs will be paid for by drafts at 11 days' sight; the third 2 lakhs by drafts at 12 days' sight, and so on. In that case a large amount of silver no doubt will be tendered at once in India, and probably enough to keep the mints going for 18 months. It would not be possible for people to send out silver from England to meet that demand without incurring the prospect of considerable loss; that is to say, they would only be paid for it 18 months later, and they would have to discount the Treasury drafts. Now, in discounting the Treasury drafts the discounters would naturally take into account the probable fall in the rupee value at the time he is paid his money, and he would, therefore, charge a higher rate of discount. I should think not less than 12 or 14 per cent. per annum. The consequence is it would not pay to send out silver from England to India for coinage, without allowing a considerable discount, and the exchange would not fall very rapidly. I do not think the exchange would fall very rapidly under that arrangement.

7130. But surely that would cause, to begin with, a considerable period of great uncertainty, would it not?—I do not think so. A large amount of silver would be tendered for coinage in India; for instance, looking at it from the point of view of the speculator, I should be rather chary about sending out silver to India for coinage if I had the prospect of not being paid for it for 18 months.

7131. But I understand the position precedent to all this is that the Government are to announce the mints to be opened to a coinage of silver, with the ultimate intention of opening them as freely as they were before 1893?—Yes; but this is a plan by which they might announce it now, and only pay for the silver according to the dates when it was coined.

7132. Under your scheme how long do you think it would take you to get back to the system which prevailed before 1893, of an absolutely open mint for the coinage of any silver?—This is an absolute return to that system, with a modification that as silver will only be paid for at distant dates the fall of exchange will be gradual.

7133. This is an alternative scheme, not to run along with the five crores scheme?—It is an alternative scheme entirely, and one I prefer to the others.

7134. Under that, of course, it follows that in time, I will not ask you to define in what time, the price of the rupee must go to the price of bar silver?—Or the price of bar silver must go the price of the rupee. They must meet, that is what I mean.

7135. Now I understand you to say that you think it would be fair to suppose that they would meet half way?—Yes.

7136. That is about 12d.?—I would not like to commit myself to that. I think that is a reasonable expectation that they would meet about half way, but there are many factors coming in. I would not like to say definitely.

7137. Tell me what are the factors that you think people would have to take into account if they were going to forecast the result of your scheme?—There is the possibility that the silver mines might be reopened. I confess I have not information on the subject. I do not know the position of the American mines now. I think most of them are shut down. I do not know what rise in silver would induce the owners to open them again.

7138. However, that would be one of the factors to take into account?—Yes.

7139. Do you know what the world's production of silver is at the present time?—I only know the figures which you have before you more or less. I have seen the published statements of the production of silver; I have no knowledge of my own. I would rather you took the figures from the American Government.

7140. Then you recommend this scheme without any knowledge about the world's production of silver?—Without any special knowledge beyond what I see in the papers.

7141. What is the knowledge upon which you make your recommendation?—I think it is supposed that the production of silver at present is something about 25 millions a year.

7142. How much do you think India would take of that naturally?—I think that probably if the mints had been opened during the last five years she would have coined certainly not less than 30 crores of rupees.

7143. In the five years?—In the five years.

7144. That would be about, at the very most, a quarter of the world's produce?—Yes, I think she would have taken more, but that is what I said she would have coined.

7145. Why should the closing of the mints have prevented India taking what was not going for coinage?—It has not prevented it, they have taken a lot of silver.

7146. You think they would have taken more in addition to the six crores that they would have coined?—They probably might have coined eight crores, but of that eight crores, two crores probably would have been melted down as it is done in ordinary years, when the mints are open.

7147. Let us assume that India would have taken eight crores, that is a third of the world's produce?—Yes.

7148. I understood you to say a moment ago that, except the demand for India, there was no substantial demand for silver throughout the world?—No demand for coinage.

7149. This production of silver that you estimate at something like 30 millions has been produced at what average price?—I would rather not attempt to give evidence on a subject of which I only know at secondhand or from reading.

7150. Do you know what it costs to produce silver from such a mine as the Broken Hill, for example?—The shares in the Broken Hill mine have gone down very much. That is a pretty fair proof that they are not making much profit.

7151. On account of the low price of silver?—Yes, they depend very much on what they get for the lead. Silver is a by-product of lead.

7152. That is a very important consideration, which I think is very often left out of sight. Now, would you be surprised to hear that people put the cost of

producing silver as low as 1s. an ounce in such a mine as the Broken Hill?—I should not be surprised to hear that in certain highly favoured mines, it might be as low as 1s. an ounce, but certainly not in the great bulk of the mines of the world.

7153. I need hardly ask you, but 1s. an ounce would mean a 4½d. rupee?—Yes.

7154. Would you commit yourself to a statement that, under no circumstances, with free coinage of silver in India, the rupee could go down as low as 4½d.?—There is not the slightest probability of it. These highly-favoured mines are in the position of a newly found alluvial deposit of gold, where you may pick up gold for nothing; the cost of production in that case is nothing, but it does not mean to say that they are going to get gold all over the world for nothing.

7155. Have you considered what in your opinion would be the lowest point to which the rupee could go down under the system which you advocate?—I think anyone who committed himself to any prophecy upon that would be very bold. Personally, I do not think the rupee would go to 1s., but at the same time it might; it depends greatly on the discoveries of science, the discovery of the method of treating refractory ores, and all kinds of other factors. The rupee would never have gone as low as it has done but for the closing of the mints.

7156. How do you make that out?—Because the closing of the mints caused a great fall in the value of silver, and while people did not believe in the Government being able to hold up the price, there is no doubt that the rupee fell very much on a level with the price of silver in the first instance.

7157. Why was that due to the closing of the mints?—Because the closing of the mints caused the price of bar silver to go down.

7158. But the rupee only fell very slightly after the closing of the mints?—When the mints were closed the rupee went up to the neighbourhood of 1s. 4d.; it gradually fell from that to 1s. 0½d.

7159. You attribute that to the closing of the mints?—I think the closing of the mints certainly made the rupee go lower than it otherwise would have done.

7160. I should like you to state the ground on which you say that?—There is no doubt that the closing of the mints made silver go down.

7161. I am not disputing your view, but I want to elicit the ground of your opinion?—There is no doubt also that the natives of India have always looked upon silver and the rupee as practically the same thing while the mints were open, and when they saw silver go down the rupee naturally went down from sympathy.

7162. At the most that could only be a temporary result?—Well, I think it was temporary, but it operated certainly for two or three years.

7163. Was it not largely owing to the closing of the mints that the rupee has maintained the level to which it has kept in the last five years?—Within the last five years?

7164. Three years I think you may say?—I think the effect of the closing of the mints was to make exchange go lower than it otherwise would have done for two years, and to go higher than it otherwise would have done for the remaining two years.

7165. Do you desire to express to us your opinion upon any part of Mr. Lindsay's scheme which you think especially weak?—The weak point of it, I think, is the probability that if a gold fund were established in England, and the only way in which you can establish a ratio between gold and silver is to be prepared to give gold for silver on certain terms, that is the only way it could be done; if we were prepared to do that by means of raising a fund of gold in England, I am of opinion that that fund might be swept away in a few months by the Indian hoarders and you would have to come forward and borrow again; and I do not think Lombard Street would be disposed to give you money. They do not like their reserves of gold treasured upon. I believe if you had 20 millions here

it would be swept away in no very long time by the Indian hoarders.

7166. Will you just amplify that a little for us, because Mr. Lindsay, rightly or wrongly, puts it that movements of that kind would counterbalance each other?—I do not think Mr. Lindsay sufficiently takes into account the desire of the natives to hoard gold. The natives look upon everything from the point of view of the rupee price, and if they thought gold was cheap compared with the rupee they would buy all the gold they could get.

7167. But, of course, whatever figure is fixed it should be a figure which should not raise in the Indian mind the presumption that gold was cheap?—Exactly.

7168. Then, if you will excuse me for saying so, that is a criticism not upon the scheme as a whole, but upon a particular figure which Mr. Lindsay has fixed upon?—I think that is one way of criticising it. The figure he has fixed upon no doubt increases the probability of the gold being swept away. If he fixed 1s., instead of 1s. 4d., there would not be the same probability, because then the natives of India would think that gold was dear.

7169. Is there any other criticism which you wish to make of Mr. Lindsay's scheme?—No, that is the only one. I think it would fail on account of the gold being taken away.

7170. (Sir F. Mowatt.) You said, I think, that there was no falling off in the purchasing power of the rupee in consequence of the fall in its quotation outside?—I do not say so. I think the rupee has a less purchasing power than it had. There has been some rise in prices and in wages.

7171. I understand, at the outset of your evidence, you said it had not affected the purchasing power of the rupee in India?—I am afraid I was misunderstood.

7172. You said, I think, that silver followed the price of the rupee from sympathy in India; that when the rupee fell, silver fell with it in sympathy?—I said that when silver fell, which was a fall caused by the closing of the mints, the rupee fell with it in sympathy.

7173. But silver has since fallen further, and the rupee has risen?—That is because of the stringency of money.

7174. With regard to the drawing away of any reserve fund, you say that the natives hoard, or desire to hoard, gold so greatly that the fund will very rapidly tend to disappear?—If they thought the gold was cheap, and they would think the gold was cheap because they know very well that the rupee ought only to be worth 11d., and that it is worth 1s. 3½d.

7175. How would they get hold of this reserve fund; they would have to buy the gold in some way. How would they pay for it?—There are speculators in Bombay who do nothing but trade in lakhs of gold every day.

7176. They would purchase the gold with rupees, and those rupees would be withdrawn from the currency?—They would be withdrawn from hoards, probably; they would turn their hoards of silver into hoards of gold.

7177. Do you think there is enough silver in hoard to enable them to sweep away at once an enormous reserve fund?—I should think so. It is difficult to say, but I should think there are between 100 and 200 millions of tens of rupees hoarded, probably.

7178. You do not think that the rupee being withdrawn for the purchase of gold would lessen the number of rupees in circulation, and so increase the value of the rupee?—Not necessarily; I do not think it would.

7179. It would all come out of hoards?—Yes.

7180. (Sir J. Muir.) I think you said that Government, in your opinion, might reduce the period of the settlement, say, to 10 years?—I did.

7181. If that were done at each settlement of course the fair value might be fixed?—Yes.

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7182. So that that might increase considerably the income of the Government?—Undoubtedly, if the rupee falls.

7183. You have been a long while in India; what would you think, taking into account everything, if the mints had not been closed, might have been the rate of interest?—There were large municipal loans and port trust loans floated at 4 per cent. I think there is no doubt that money would have been obtainable at 4 per cent. if the mints had been open.

7184. That is in the slack season?—Really, when money was so plentiful as we had it two or three years ago, it did not seem to get much dearer, even in the busy season.

7185. (Sir D. Barbour.) Are you speaking now of the rate of interest on loans for a long period or of the rate of discount?—I am speaking of the rate at which permanent loans could be floated.

7186. (Sir J. Muir.) A merchant could discount bills at the Bank of Bengal at 4 per cent. on proper security?—Yes.

7187. You have mentioned to us that the rate of interest has been very high—as much as 12 per cent.?—Yes.

7188. What would it be in the other Presidency towns?—Even higher in Bombay—13 per cent.

7189. And in Madras?—I think Madras only got to 12 per cent.

7190. Did I understand you to say that you fear, unless some change takes place, that next busy season we may see it even worse?—I think that is a very natural assumption.

7191. I have heard 15 per cent. named in other quarters as a possibility?—Yes, I think it is a possibility.

7192. (Sir D. Barbour.) Do you draw any distinction between currency and capital, or do you think they are identical?—They are not identical.

7193. You think there is a distinction?—I think there is a distinction.

7194. If you were to indefinitely increase currency, you would not thereby indefinitely increase capital?—No.

7195. Now why do you think it is impossible to have a fixed rate of exchange in India; I did not hear the early part of your evidence?—Because I think that the only way to fix a rate of exchange is to be prepared to give gold for silver on certain terms; to do that, you would have to have a large reserve of gold, and however large it is, I think there is the greater danger that it would all be swept away, and you would have to borrow again, and the cost would be enormous.

7196. Because the hoarders have such a desire for gold?—They have a great desire for gold if they think it cheap, and they will think it cheap when they see the rupee is kept at an unnatural point.

7197. Then why did they not buy great quantities of gold the other day when the exchange was 1s. 4d.?—I do not know; perhaps they did not think gold cheap at the time.

7198. But if they knew anything about the currency scheme they must have known that gold had got to its cheapest point when exchange was at 1s. 4d. Why did not these people buy all the gold they wanted then?—They did buy a good deal.

7199. But not more than in other years and at other times?—Well, I am not able to give you the reasons of other people for what they do, but I feel perfectly satisfied that if the natives thought gold was cheap, they have the power, and they would have the will, to sweep it away.

7200. You are in favour of the opening of the mints to silver. I was not here when you mentioned how you would find the necessary revenue for that purpose. Would you repeat that portion of your evidence?—A certain portion of the revenue would automatically increase.

7201. Such as —?—The opium revenue for instance—the land revenue.

7202. The land revenue would increase slowly and not automatically?—Practically automatically. With

the reduced purchasing power of the rupee the producer would get more rupees for his produce, the Government in valuing his land would get a higher rate in rupees and would draw a higher revenue from it.

7203. It would not be automatic; the Government would have to take the important step of raising the revenue?—That is true. It would be automatic, but not all at once.

7204. It would come gradually?—It would come gradually.

7205. In the case of the opium revenue, that is the opium which is sold in Calcutta—the increase of revenue would be automatic, because you would sell opium for a greater number of rupees?—Yes.

7206. In the case of the land revenue the Government would have to go through the process of raising the revenue, but, as you say, the Government would have good ground for doing so?—Yes.

7207. Anything else?—The railways belong to the Government; the canals belong to the Government. The revenue of those would automatically be increased with the decline in the purchasing power of the metal.

7208. Do you mean that there would be more irrigation and more railway freight?—Undoubtedly, and the Government, if the rupee had a lower purchasing power, would be perfectly justified in increasing the rates.

7209. Those are three sources of increase; is there anything else? I want to know how you would find the whole of the revenue necessary to meet the additional expenditure?—I say you would be perfectly justified in increasing the salt duty. That is a matter that is quite misunderstood in England. The salt duty is 4d. per head of the population. It is in the nature of a poll tax, and it is the only taxation that the poor native pays, and he does not feel it. After many years experience in India, I have never known a native who objected to the salt tax; they will object to everything else but the salt tax.

7210. But all that, at any rate in the first instance, would not give you anything like the amount of the total additional expenditure?—Even assuming that you were to meet with some temporary loss, I contend that your land revenue ultimately would be sufficient to pay off the whole of your indebtedness, and that would increase automatically according to the depreciation in the purchasing power of the rupee. While that adjustment was going on you might have some loss, but that would be nothing compared with the loss you have got to face the other way.

7211. Would you increase the import duties?—I do not like duties, but if it were absolutely necessary, that is one way of doing it.

7212. That is not an unpopular form of taxation in India?—No.

7213. (Sir J. Muir.) And export duties?—I have a great objection to export duties. I would rather see revenue raised in almost any other form. Export duties on raw produce I think at this time of day are not a thing that any enlightened Government would propose.

7214. (Sir D. Barbour.) As to the raising of the railway rates, and the irrigation rates, if you had to do it under the circumstances that you explained, it might be justifiable, but it is better that they should not be raised?—Undoubtedly.

7215. It would be better to avoid it if possible?—I quite agree.

7216. And it would be better not to raise the salt duty if you could avoid it?—If you show such excessive deference to the opinion of people in England who really do not understand the matter.

7217. Is it deference to their opinion, or considerations for the welfare of the people?—There is a great deal of misapprehension about the salt duty. The poor Indian buys his food and his little stores at the village shop twice a week. That is to say he makes a hundred purchases in a year. The dealer generally gives him a pinch of salt for nothing along with the

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little stores that he buys. At any rate if he pays for his salt, he pays 4d., and that is divided by 100. It cannot be represented by the smallest coin in the world. A few cowries might pay for the proportion of salt that he buys. It is 4d. a head per annum, and no more. It comes to nothing.

7218. Do you think the whole population of India buy their food in that way twice a week?—The poor—the only people for whom you can have any consideration in talking of a duty of 4d. a head

7219. Do you think the agriculturists do that, or do they consume the food that they grow themselves?—The agriculturist is in a different position. He is profiting all the time and he can well afford it.

7220. But you said that the population of India bought their food twice a week?—I was referring there to the poor population of India, the only people for whom you can have any consideration in discussing the salt duty.

7221. But many agriculturists are poor?—There may be such, and if they are poor they will buy salt just the same as the other people.

7222. And therefore they pay the higher price?—That is probably so.

7223. Now do you think wages have doubled in Bengal, because it is quite contrary to the evidence we have had?—I say that the wages of agricultural labour in Lower and Eastern Bengal have doubled.

7224. I do not know Eastern Bengal, but do you think that wages generally in India have doubled?—I do not. I think in the prosperous provinces they have, but not in some of the congested districts.

7225. A friend of mine tells me that he paid the men who look after his horses 3 rupees 8 annas per month at a place where he was magistrate, and there had been a railway there for ten years at least. Do you think that shows any sign of a rise?—I have never got anybody to serve me at 3 rupees 8 annas a month.

7226. Neither have I, but, if that statement be correct, that does not show any signs of a rise in that district?—It must have been in a congested district.

7227. Certainly there is a large population in that district and wages are low?—There are exceptional districts in India as in Ireland, where people want to live on the land where it can hardly support them, and they will not go away. Undoubtedly there are those exceptional places.

7228. Have you examined the Government statistics of wages?—Not recently.

7229. They do not show a 50 per cent. rise all round?—Probably not, but I do not think the Government statistics are always right.

7230. You said if the mints had been open for the last five years, you think India would have coined 30 crores of rupees. Do you mean 30 crores in all?—I corrected myself by saying that probably, instead of coining six crores annually she would have coined eight crores, but two crores might be melted up.

7231. Do you know that just before the mints were closed, India was taking an average of about 12 crores a year?—Yes.

7232. Most of which was coined?—Yes.

7233. But if silver had fallen, would she not have taken very considerably more?—If silver had fallen to the present point probably, but I do not think silver would have gone so low. I was trying to put a moderate figure, but I said that I thought she would add to her currency at six crores a year.

7234. India was coining much more than six crores a year before the mints were closed?—Part of it was melted up.

7235. Now if the Americans had ceased purchasing, do you not think that India would have had to coin much more than 12 crores a year?—It depends on the price of silver.

7236. When the Americans stopped purchasing, the price of silver must have fallen?—But not so low.

7237. I do not say that, but it would have fallen lower than at the time the mints were closed. Do

you not think she must have taken more than 12 crores a year if the mints had not been closed in 1893?—She would have taken a great deal. I am not prepared to place any limit.

7238. She must have taken all that was offered to her at the price of the day as long as the mints were open?—Yes.

7239. You said that the rupee fell in sympathy with silver when the mints were closed. How does that sympathy act that makes the one thing fall with the other?—Well, there was a very strong conviction amongst the natives that the mints would have to be opened again. That, I think, accounts in a great measure for the large importation of bar silver; the natives thought, "The Government cannot keep the mints closed, they will have to open them again and we will have the silver ready."

7240. That large importation only went on for some months; that could not have been the cause that kept the rupee down after the excessive importation of silver was over?—There is no doubt that for a time there was sufficient to go on with, and there was no scarcity for some time after the mints were closed. It has only begun during the last two years.

7241. But why should the rupee have fallen in sympathy with silver? How does the question of sympathy come in?—I think people know the intrinsic value of the rupee is not more than 1s. $\frac{1}{2}$ d., and why should they give more money for it?

7242. It has been said that there is a connexion between the exchange value of the rupee and the rate of discount and the rate of exchange. Do you think the two things go together? I daresay you know that many economists say that the rate of discount or interest has nothing to do with the appreciation or depreciation of the standard?—I do not think it has. It depends on the amount of loanable capital available.

7243. What do you think are the causes of the high rate of discount and the high rate of interest in India at the present time?—The fact that capitalists have all sent their money away. They thought they were getting good terms for remitting it home.

7244. That is to say they were afraid that this rate of exchange could not be maintained?—They were convinced that it could not be maintained. The point is this: they had nothing to lose by sending their money home at 1s. 4d., because it cannot go higher.

7245. They had the high rate of interest to lose which they could get in India?—But you have the rate fixed. You say the rupee cannot go beyond 1s. 4d. on account of the action of the Government. Then a man naturally says it is "heads I win, tails you lose." I get my 1s. 4d. I cannot get more, and if things go the wrong way I may lose 30 per cent. of my capital.

7246. Do you think there is any other cause of the remittance of capital from India than the desire to take advantage of the high rate of exchange?—I think that is the chief cause.

7247. And, if there was confidence, that cause would not operate?—Certainly not, if there was absolute confidence.

7248. On the other hand, if this high rate of discount went on every year some persons might be found who would run the risk of keeping their money there for the sake of the high rate of interest?—Not unless the rate was so high as practically to extinguish all industries in India.

7249. It would depend on the fear of the fall of exchange. If they had not much fear of the fall of exchange they might be content to risk it for the sake of the high rate of interest?—It would depend on how high the rate was, and what fear they had of a fall of exchange.

7250. (*Sir C. Crosthwaite.*) Have you considered what amount of extra taxation would be necessary if the rupee were allowed to fall, say, to 1s.?—I have not considered it exactly, but I think, as I have

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explained to Sir D. Barbour, a good deal of it would be automatically recovered.

7251. But you cannot tell me about what amount you think would be necessary?—I think it is impossible for any one to say exactly. I think the amount has been terribly exaggerated by some people.

(Chairman.) You may take it at from 12 to 14 crores.

7252. (Sir D. Barbour.) From 1s. 4d. to 1s. would mean that?—I would not be prepared to admit even that, because what the Government calls the loss by exchange is not all loss by exchange.

7253. This is the additional number of rupees that would be required, putting aside the question of loss altogether. If at 1s. 4d. so many rupees are required to meet the Government liabilities, then at 1s. it will require, say, 12 crores more?—I have no doubt you have made the calculation correctly.

7254. (Chairman.) The rise in exchange during the last year has enabled the Government of India and the Secretary of State to avoid imposing additional taxation in order to meet the greater portion of the heavy expenditure on the war and the famine?—But it has in effect been itself additional taxation.

7255. That is another matter. I am only clearing up Sir Charles Crosthwaite's point. If the rupee goes down to 1s., as Sir D. Barbour says, there will have to be a certain additional number of rupees to the extent of 12 crores found by taxation?—I have no doubt that is correctly calculated.

7256. (Sir C. Crosthwaite.) Apart from that, you think that a large portion of it at any rate could be got by increasing the land revenue?—I think so.

7257. Can you calculate the amount of the land revenue?—I think it is about 26 crores of rupees in round numbers.

7258. Of that part is permanently settled?—A small part of the revenue—a considerable part of the ground.

7259. The revenue permanently settled is about six crores, I think?—Less than that, I think.

7260. In the North-West Province and Madras, too?—Yes, I was thinking only of Bengal.

7261. That revenue could not be raised, could it?—It could not be raised in that form.

7262. You do not recommend that there should be a breach of the permanent settlement?—Not at all. The position of a Zemindar under a permanent settlement is the position practically of owner of the soil subject to a rent charge. We cannot increase his rent charge, but there is no reason why that Zemindar should not be liable to pay taxation like everybody else for the cost of the Government. As a matter of fact he is—for what reason nobody knows—exempted from paying income tax. It is an extraordinary anomaly that the richest class in India, the Zemindars, have to pay no income tax; it seems to me indefensible. You cannot break his permanent settlement, but the fact that he is under permanent settlement does not change his status as a member of the community who should pay proper taxation to meet the charges of the State.

7263. Is it not the case that a good many local rates have been put on of late?—They have been subjected to what they call the public works cess, I think, but that public works cess is for money which is to be spent for improving the conditions of the soil, the roads, and so forth.

7264. You said that the land revenue was the share of the produce that the Government took?—Yes.

7265. Can you tell me what share of the produce is taken?—I believe it varies in different parts of the country, and I am sure you are able to say much more accurately than I can. I think it is something like 40 per cent. in the North-West Provinces.

7266. It is a share of the produce?—It is a share of the produce.

7267. In the North-West Provinces it is not a share of the produce, it is a share of the rent. The settlement is not made with the actual cultivator or

producer, it is made with the landlord or owner of the soil as a rule?—But the rent depends upon the produce of the soil. Therefore, if it is a settlement on the land, it is practically indirectly a settlement on the produce of the soil.

7268. Indirectly, no doubt, but you are aware that there are rent laws, and that there are a large proportion of tenants who are hereditary?—Yes, there are occupancy rights, and so on.

7269. Now, with regard to agricultural wages, are they paid, as a rule, in kind or in cash?—They are generally paid partly in one and partly in the other, I think, in Bengal, at any rate.

7270. So that part of the rise which you allude to would be in consequence of the increased price of the food grains in which they are paid?—Yes.

7271. (Sir A. Dent.) As to wages in Darjeeling, you said that the price of rice had been permanently fixed at three rupees per maund?—It is a part of the contract between the tea planter and the coolie that he gets his rice at a fixed low price.

7272. But that price is not three rupees per maund for ever, is it?—During the continuance of the contract, I believe it is.

7273. In answering the questions put to you by Lord Balfour about your third scheme, I did not understand how long it would take before we got back to the reopening of the mints; would you name any term?—The mints would be open from the moment the scheme started, but the exchange would only fall gradually, because people could not get their silver thrown in and get paid for it without a long interval of time.

7274. And that might go over several years?—I think it might probably go over 18 months or two years.

7275. When you say a very large amount of silver would be poured into the mints at once, and that that would raise the price of silver for the moment, there would be a very unpleasant reaction later on, would there not?—I do not think so.

7276. You think a principal increase of revenue would be on opium?—Yes.

7277. Is not that a very uncertain revenue now?—No doubt.

7278. The Chinese are going in largely for cultivating it?—Very true.

7279. And is not the revenue from opium getting less and less every year, so that it will eventually become extinct?—If exchange goes up it may disappear gradually. If exchange goes down it will continue longer probably.

7280. (Mr. Holland.) You told us that in your opinion if the mints were reopened exchange would fall, but that India at large would gain by the fall of exchange?—Yes.

7281. We have had it in evidence from another witness that most of the advantage of a fall of exchange goes into the pockets of the middleman. Do you agree with that opinion?—No.

7282. You think the Government would not be strong enough to carry through their own proposals; do you agree that the task that they have set themselves is difficult in proportion as the rate of exchange is high?—Certainly.

7283. And that although it might be impossible at 1s. 4d. it might not be impossible at 1s. 3d.; and if it were impossible at 1s. 3d., it might not be impossible at 1s. 2d.?—The difficulty increases in proportion to the height that you keep it up to. I think it would be impossible at 1s. 3d. for that matter, although not so impossible, you may say, as at 1s. 4d.

7284. Do you think it would be impossible at 1s. 2d.?—I do not care to commit myself to an exact figure.

7285. You are an ex-president of the Bengal Chamber of Commerce?—Yes.

7286. We have had it in evidence from another ex-president of the Bengal Chamber of Commerce that the closing of the mints has not had a serious effect on trade. Do you agree with that?—No.

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7287. You think the effect has been serious?—Very serious.

7288. And it has been stated by another witness that, notwithstanding the stringency in the money market, trade has been carried on without any hindrance. I suppose that also you would disagree with?—I should differ from that, certainly.

7289. Do you agree with the Bombay Chamber of Commerce, that the present tightness of money is mainly attributable to the contraction of the currency consequent on the closing of the mints?—Yes.

7290. And do you think that the proposals of the Government of India would have the effect of perpetuating that state of things?—Intensifying and perpetuating it.

7291. (*Mr. Campbell.*) With regard to the fall in silver since the closing of the mints, do you attribute the whole of that fall to the closing of the mints?—A great part of it. I would not say the whole of it.

7292. Are there not at least two other very important factors since the closing of the mints which would affect the fall of the price of silver; first, there was the repeal of the Sherman Act?—Yes.

7293. And secondly the abandonment of a silver standard by Japan?—Yes.

7294. I suppose you would admit that both these factors have a very important effect on the price of silver?—Certainly, but the repeal of the Sherman Act had cast its shadow before. It was already anticipated at the time.

7295. But if the mints had not been closed is it possible that there might not have been some modification instead of a total repeal?—It is possible, yes.

7296. So that the situation is not exactly the same to-day as it was at the time the mints were closed?—No.

7297. There are those two other elements in the question now. Do you think it possible that there might not be other disturbing causes of the same kind in the future?—All the influences that would make silver go up seem to have disappeared with the single exception of the possibility of the re-opening of the Indian Mints.

7298. But if some other silver standard country were to abandon the silver standard and try to get on to gold, that would give another blow to silver would it not?—I do not know what silver standard country is left now.

7299. There is the Straits Settlements, there is China, there is Mexico, there is Spain?—Take Japan for instance. It seems most probable that their scheme will fail and that they will have to return to a silver standard. Austria has got a lot of gold with the idea of establishing a gold standard, but she has not yet ventured to do so. Italy borrowed a large sum of money in order to return to a gold standard, and that has been obliged to be abandoned. It seems that no poor country can maintain its gold standard. It must be a rich country like France or England or America, or a country that keeps heavy tariffs, that is enabled to retain its gold. If you were to make India a protectionist country I believe she would be able to retain her gold, but not otherwise.

7300. Not if she could command the gold over and above the ordinary indebtedness?—I believe it would slip away from her.

7301. Why?—Because I think it would be hoarded, as I explained before.

7302. Do you not think that the mere announcement of the reopening of the mints, even with the qualification that you alluded to, would have the effect of giving a very great shock to trade?—I think it must give a certain amount of shock to trade, but I am afraid if you make a false step, and fall over a precipice, you cannot expect to find yourselves on your legs again without some difficulty and trouble. There is no doubt the closing of the mints is a step that is very difficult to retrace, but there are means of doing it, and I think the only thing that will restore prosperity is the reopening of the mints.

7303. Now, with regard to the suggestion that you make as to giving deferred warrants for the silver sent into the mints. You say you would begin to coin at the rate of 2 lakhs a day?—Yes.

7304. If silver was sent from England it would begin to get in in about four weeks?—Yes.

7305. And would be cashed in a little more than a month?—No, because it would be preceded by a great deal of silver in India.

7306. You estimate that there is as much silver in India as would postpone the payment for these shipments from England for at least 12 months?—I think so.

7307. That would represent about seven crores of rupees?—Take 300 working days in the year at the mint, at two lakhs a day, it would be six crores.

7308. Six crores of silver, the present price of which is 70 rupees per hundred tolas, would mint into more than nine crores of standard coin, would it not?—Yes, but I would take it that six crores of rupees should be minted.

7309. Two lakhs coined every day?—Two lakhs of coin would be produced at the mint each day. Of course that is merely a suggestion, subject to modification.

7310. That would give an enormous profit to the holder of bar silver in India at the present moment?—Yes.

7311. Silver would cost, say, 70 rupees, and would realise about 106?—A portion of that has, of course, cost more.

7312. And a portion has cost less. The present price is about 70. But do you not think that the pouring out of that six crores in the course of the year, in addition to council bills and other moneys that are let loose in India in the course of the year, would have a very important effect on the money market?—Undoubtedly; and I think an advantageous effect on the money market.

7313. And would it not tend to have an important effect on exchange?—Undoubtedly exchange would go lower, and I think silver would go higher, and the object I would have in view would be to bring silver and exchange together, and then things would go smoothly.

7314. As regards silver going higher, Japan has been mentioned. Are you aware that, so long as there are any yens procurable in Japan, the value of the rupee could not rise much above 11d., because it would pay to export the yen to India, and bring gold out from London to pay for it?—That is to say, so long as the yen are going, but I think the question of the yen is a matter of very small importance, and I believe myself that Japan will have to go back to a silver standard; she will not be able to keep her gold.

7315. You said just now that for coinage purposes India is practically the only taker of silver?—She is the principal taker of silver. Of course there are one or two others.

7316. Then there is the British dollar, which is now coined for use in the Straits?—Yes, and there is the subsidiary coinage of various countries.

7317. And China, although she does not coin it, takes silver very largely?—Yes.

7318. Now, going to the Government's proposals, you say you see no sign at present of redundant currency in India?—Certainly not.

7319. On the contrary, the currency, you believe, is contracted?—Yes.

7320. You know the Government say that they only consider currency redundant at the rate of 1s. 4d.?—Yes.

7321. And then propose to remove that redundancy by melting down a certain number of crores of rupees?—Yes.

7322. Do you consider it a right thing in the interests of Indian trade for the Government to adopt an arbitrary rate of exchange, and proceed to force that rate upon the market by melting down currency?

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—I entirely disapprove of it. I disapprove of all interference by Government with the currency.

7323. I think you said that any attempt to enforce too high a rate of exchange would have a prejudicial effect on trade?—Yes.

7324. And would curtail the trade balances in India's favour required to adjust her foreign indebtedness?—Yes. As far as I know the balance of trade has already diminished, and would tend to diminish.

7325. If that trade balance is diminished to any large extent, would that necessitate sterling borrowing again?—Undoubtedly, if the trade balance disappeared, the Secretary of State would be unable to sell his council bills, and would have to borrow in London.

7326. And of course that would add to the difficulty in the future?—Yes.

7327. It would increase the annual amount of sterling indebtedness still further?—Yes.

7328. (Mr. Le Marchant.) If you were to approach open mints by some such system as you were mentioning—a coinage of so many lakhs a day—what effect do you think that would have on trade? Would not the exporter naturally hold back as long as he could for the lower exchange, and the importer rather press forward?—No, I think not. I think it would give a stimulus to business.

7329. You think a gradual fall of exchange would stimulate it?—A gradual fall in the purchasing power of the standard has always the effect of being an advantage to industry as against capital. When the standard of value falls, industry gains—the money-lender loses. In India, for instance, nearly all the agriculturists are indebted to the money-lenders. By artificially raising the value of the rupee, you unquestionably increase the debt of the agriculturist to the money-lenders. I think it is admitted on all hands that a decreased purchasing power of the standard, such as was caused in England in the forties by gold from California and Australia, gives a stimulus, and that is what we want in India. We want to stimulate it in order to provide for the three millions of population which come every year.

7330. Do you think that would stimulate it in the way of introduction of capital?—I am sure it would.

7331. In spite of the probable lower rate of exchange at which that capital might be eventually brought back?—Yes, I should like to say this on that point. Where a capitalist in India can get, say, 5 per cent. more for his money than he can in England, there is a strong inducement for him to send his money out to India. At present he is afraid of losing a large portion of his capital in getting his money home again. If, on the contrary, the mints were opened and silver was allowed to find its natural value, the capitalist would be able to form an idea for himself of the possible fall of exchange, and he would probably come to the conclusion that the fall of exchange, naturally taking place year by year, would be something like 1 per cent. Now, if he is going to get 5 per cent. more for his money he will not mind losing 1 per cent.; that is assuming that silver is allowed to find its natural level. He would calculate it in this way. He would say there is 800 millions of silver coin in the world (I put that figure as an illustration, merely), we produce eight millions of silver every year more than we require for the present condition of things. The proportion between eight millions, the surplus production, and the 800 millions which is in circulation, is 1 per cent. The capitalist would naturally say we may expect that silver will go down about 1 per cent. per annum while this condition lasts, but that fall of 1 per cent. is not sufficient to prevent money going to India.

7332. You think the subscription of railway capital was easily obtained when the mints were open?—I think so. You see the owner of actual property in India does not either gain or lose by a change in the standard of value. If you have got a jute mill or a tea garden, and the rupee goes down, it means that

your jute mill or tea garden is worth so many more rupees than it was before.

7333. And you think that that applies to railways and other productive works?—Undoubtedly it does.

7334. And that as a matter of fact sterling is attracted to silver-using countries?—I think so.

7335. Supposing that wages and taxes were adjusted in the way you were describing (you mentioned that you contemplated that taxes might be gradually raised), do you think in the long run there would be any advantage? Would it not be the case that the taxpayer would be paying in increased taxes the larger amount of rupees that he was getting from higher prices?—When the adjustment takes place I do not think it would affect the position of anybody. The only thing is that in the course of adjustment there is no doubt that capital would be attracted to India.

7336. You think there would be no friction owing to this interference by Government?—I think the interference of Government with the currency is resented far more than any necessary readjustment of taxation. The interference of the Government with the currency is deeply resented as being an absolutely improper exercise of the functions of Government.

7337. Were you not mentioning that the price of wages had shown a tendency to rise?—Yes.

7338. So far as that goes, would there be any indication to the native or to the wage receiver that currency had been interfered with? If he is already getting more, both in wages and prices, would he draw any inference about currency?—I think there is a general feeling on the part of agriculturists in India that they would be doing a great deal better but for the closing of the mints—that profits would be much greater; that is the view of not only the European indigo and tea planter, but the natives all round.

7339. How has high exchange recently borne upon exports; have exports decreased? Take jute and jute manufactures, for instance?—The leading factor, of course, is the season—whether there is rain or something of that kind. I think the internal trade of the country is seriously interfered with, and the internal trade of the country is quite as important a thing to consider as imports and exports. The internal trade has been interfered with very much by the stringency of money.

7340. Have you any figures to prove the interference with the internal trade of the country?—No, I have not provided myself with the figures, because I believed that you had at your disposal figures prepared by others much better able to prepare them than I am.

7341. With regard to the jute exports within the last year, they have not shown any ill effects, have they?—The jute crop last year was by far the largest on record, and no doubt the shipments have been larger than before, but that depends upon a most favourable season. The consumption of jute has also been extending in a marvellous manner. The consumption of jute is about 20 times what it was when I first went out to India. It is an article the use of which is growing marvellously fast.

7342. So far as that goes, would not that show that the recently ruling rates of exchange did not check trade?—But jute is a monopoly; there is practically no other country that produces jute.

7343. So you consider, with regard to other crops as well as jute, there were some circumstances apart from exchange which were of importance?—Undoubtedly there are many factors in the question, and the most important of them is the season.

7344. And capital?—Capital does not so much affect the produce of the soil as it affects industries like tea-planting, indigo-planting, cotton mills, jute mills, and those things.

7345. On the other hand, does not capital bear on the question of the stringency in the money market—discounting bills, and so on?—Very much so.

7346. That bears on exports, does it not, through its relation with the movement of crops?—Yes.

7347. (*Chairman.*) You said that in your judgment the closing of the mint had had an injurious effect on the trade of India?—Yes.

7348. The evidence that we have received, both statistically and otherwise, is directly to the contrary; that neither the internal nor the external trade of India has been injuriously affected by the closing of the mints. Therefore I wish to give you the opportunity, if you wish either now or hereafter to strengthen your opinion?—I have said that it has caused stringency of money; I have said, and I do not think that anyone can dispute it, that stringency of money interferes

with all industries, and I am perfectly satisfied that all industries would have been more prosperous, but for the stringency of money. Another reason I have given is with regard to the money-lenders. I say the money-lenders are gaining by this artificial raising of the value of the rupee, and gaining at the expense of the poor who have borrowed from them.

7349. I am content to leave it as you have put it. Then have you any evidence as to the general discontent which you say prevails among the agricultural and other classes in India, with reference to the closing of the mints?—No, except that when I am in my office in Calcutta I hear constant grumbings from all sides about prices falling in consequence of the high exchange.

The witness withdrew.

Mr. GRANVILLE LOWTHER ACWORTH called and examined.

7350. (*Chairman.*) You were formerly chairman of the United Planters' Association of South India?—Yes.

7351. Do you now reside in India or London?—For the moment I am residing in England.

7352. But you will be going back?—I had not intended to go back but I shall now be compelled to go.

7353. How many years' experience have you of India?—21 years next October.

7354. The Planters' Association, I suppose, would represent the planters of tea and coffee?—Yes.

7355. Indigo?—No.

7356. Anything else?—Tea, coffee, and cinchona.

7357. You feel that you are not only competent but authorised to represent that trade?—I am authorised to represent my association.

7358. What in your opinion was the effect of the closure of the mints in 1893 upon the trades that you are specially representing?—Well it stopped extension.

7359. It arrested progress?—Certainly it arrested progress. I know that from my own estates. I am one of the largest raisers of tea-seed in South India. I used to be able to fill my order book a year in advance. At this time last year my order book was completed for 1898. This year I have been trying ever since the beginning of the year to get orders for 1899, and I have not been able to book a single order, not one.

7360. Do you think that that at all arises from any excess of production?—No, I do not.

7361. Then the production of 1897 would be about the same as 1896 and 1895?—No, I am sure it was not.

7362. You mean there has been no extraordinary increase of production?—No, the increase in the production of tea of late years has been gradual, but steady.

7363. Does that apply also to coffee and cinchona?—Coffee and cinchona are on rather a different footing to tea in South India. Cinchona was so largely produced some years ago that it hardly pays now, and long before the closing of the mints there was a great decrease in the exportation of cinchona. Coffee, on the other hand, will only grow in very favourable situations, and I do not suppose that in Southern India you could find a further 2,000 acres suitable for coffee.

7364. That has been a state of things that has existed for some years?—Many years.

7365. You would not connect that with the closing of the mints?—No, though I consider that the coffee planter is hit just as much as the tea planter.

7366. We have heard it stated for many years past that the consumption of coffee in this country is decreasing?—I believe that is so.

7367. That will also have an effect in arresting the progress of the coffee trade?—Hardly, because it increases in other countries.

7368. Have you any other injurious effect excepting the arrest of progress that you can point to?—Yes, your income is considerably curtailed.

7369. But arresting progress is one thing, retrogression is another. Has it diminished production?—When you have a large capital invested in a thing like an estate in India you cannot shift your capital away. It takes you many years to bring an estate into bearing. You have to build large buildings and fill them with expensive machinery. You are compelled to go on. So that for the present there would certainly not be a diminution in production, but I know that expenses are being cut down, and only two mails ago I heard from my agent in Ceylon that in May 150 superintendents were dismissed owing to lack of means to pay their salaries. I will read you the letter if you wish it. It is dated 4th June 1898. Mr. R. W. Cole, my agent, says: "You know, no doubt, what a terrible panic exists in Ceylon at the present time owing to bad prices and that cruel exchange. The coffee smash was nothing to what the smash impending in the tea trade is now. The owners of tea properties are panic-stricken, nearly every place being worked at a loss, or only just paying its way without any profit. To men whose capital is locked up in tea, and who are dependent on their profits therefrom, it means absolute ruin, as it does also to superintendents and assistants whom proprietors cannot afford to keep on. One hundred and fifty were dismissed from estates in Ceylon in April for no other reason than that the companies could not afford to retain their services, and I know of a case of a visiting agent who after a fortnight's visit to up-country properties he represented, returned to Colombo at the expiry of that time after having given a month's notice to 27 superintendents for the same cause."

7370. Do you think that is attributable in the main to the rise in exchange?—I think, entirely.

7371. Have you any experience of Northern India?—No, none whatever.

7372. Where is the largest quantity of tea grown in India, in the north or in the south?—Do you include Ceylon with South India?

7373. No, I do not?—Then in the north.

7374. You represent the Planters' Association for India; we are to have separate witnesses from Ceylon?—But our interests are so intimately bound up with Ceylon, Ceylon drawing all its labour nearly from us, that it is impossible to separate the two.

7375. So far as India is concerned the larger proportion of tea is grown in the north?—In the north.

7376. I understand that so far as South India is concerned it is a question of tea mainly?—Tea mainly, so far as my evidence is concerned.

7377. Coffee is not really applicable, and you do not represent indigo?—No, it is tea mainly; but at the same time it must not be forgotten that coffee and cinchona are equally affected, and I am supposed to represent those industries.

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7378. Anything that you would like to say about them we shall be pleased to hear, but your evidence would be directed to the tea question mainly?—Yes.

7379. Now, first of all, have the prices of tea fallen?—Do you mean momentarily?

7380. I mean gold prices in London?—Do you mean momentarily or for a series of years?

7381. I mean since the mints were closed?—Yes, I think they have.

7382. I want to know whether prices have been falling or rising?—The mints were closed in 1892–93. The market has fallen about 2½d. per pound since then.

7383. That is the gold price in London?—The gold price in London.

7384. What was your price in London in 1891?—10d.

7385. And now what is it?—7d.

7386. How would the gold price in London be affected by the closing of the mints?—We have to accept a cheaper price on account of our competition with China.

7387. It is a question of competition?—A question of competition.

7388. If there was no competition it would have no effect whatever?—Yes, it would.

7389. What?—It would have an effect on our purchases of silver. We work on a silver basis in India. We receive gold for our prices, and we have to buy silver, and send it out to India.

7390. I will come to that presently, but I want to proceed step by step. So far as the price of tea in the market in London is concerned, it is, of course, totally irrespective of whether the article comes from India, or from China, or elsewhere. The gold price of tea in London would not be affected by the closing of the mints in India?—No, it would not.

7391. I am not saying that your profits or losses would not be affected, nor am I intending for a moment to imply that your expenses might not increase or decrease, but so far as regards the gold price in London, it is not affected by the closing of the mints?—It is entirely, I should say, a question of supply and demand.

7392. I suppose the price in London represents practically the price in the world generally?—Yes, I should imagine so.

7393. I was going to ask you whether there is any difference in America?—That I could not tell you. If you are going to allow us to bring in the argument of competition with China, then that does come in.

7394. Yes?—There is a difference, because we have to compete with China in America, and we have to accept much lower prices.

7395. You did have to compete with China in England?—We did.

7396. And as tea could be produced more cheaply in India than in China you have beaten them?—We have beaten them. We have produced a better article, and it has hit the taste of the public. The reason is that, in spite of the price, Indian tea is a cheaper article per pound than China tea. You get very nearly double out of a pound of Indian tea, so that it is cheaper to pay 7d. for Indian tea than 5d. for China tea.

7397. Then the gold price being outside the question altogether, is it to your advantage or disadvantage that the current price which you receive in London should produce more or less rupees in India?—That it should produce more.

7398. Why?—Because we pay our labour in silver.

7399. Do you pay anything else but labour in silver. I suppose whatever machinery you use is exported from England?—Yes. There is nothing more but labour, but that is, I suppose, 90 per cent. of our whole expenditure.

7400. Of your expenditure on production, nine tenths of it would be labour?—Yes.

7401. And, therefore, while you might gain on one-tenth by a fall in exchange you lose on nine-tenths by a rise in exchange?—Yes.

7402. Have your wages been stationary, or have they increased or decreased?—You might almost say that they have been stationary. They have increased very slightly.

7403. Now will you explain to the Committee what you alluded to just now as the bullion competition with China, and the effect upon the tea trade of that—first in our market, and then in the American market?—I can put it to you here in figures. We will say that “A” ships from India 100,000 lbs. of tea, and receives in London 7d. per lb.; he remits the proceeds to India at 1s. 4d. the rupee. He receives for that 43,750 rupees.

7404. In India at 1s. 4d.?—In India at 1s. 4d. “B” ships from China 100,000 lbs. of tea at 7d. per lb. He remits the proceeds to China at 1s. 11½d. per dollar, which is the present price of exchange on China, for which he receives 30,270 dollars. 30,270 dollars are equivalent to 60,540 rupees. Therefore China has the advantage over India in every 100,000 lbs. of tea of 16,790 rupees; or, to put it in other words, in every pound of tea she receives a bonus of one anna eight pies per lb.

7405. Now, are wages the same in China as they are in India?—That I cannot tell you.

7406. Do you think the cost of production is more or less in China than in India?—I should imagine much less in China; of course I have no real knowledge.

7407. But your opinion would be that it would be less, and I suppose that would be the opinion of most people?—Yes, but I would draw your attention to this. China has an advantage of one anna eight pies per lb. He is a very very fortunate planter in India, who makes a profit of 1 anna 8 pies per lb. on his tea.

7408. That being the effect of what we call the bullion competition, will you tell us how it has affected the imports from China and India into America?—I have not the figures for that, but I can get them.

7409. Then will you put them into your evidence when you correct your proof?—If they are to be had in the City I will get them. I may say that, if our exports to America are increasing, they are probably increasing through our own action there. I mean to say, we tea planters, have for many years past taxed ourselves voluntarily, and kept a representative in America to push our produce. We had no field in America before we took that action. I do not suppose there was 100,000 lbs. of Indian tea drunk throughout America, and last year we had increased our exports to 10 million lbs. But it was entirely by our own exertions, because at the first many of the large dealers in America absolutely refused to store our tea in their warehouses.

7410. I suppose your increased sales in America sprang from the same causes as did your successes in competition with China in this country—that you gave a better article?—But we had to give it away at first. When you take our increased exports into America it must be remembered that that is done by our own efforts, and that it is not likely that we shall be able to go on doing it.

7411. Why not? You have an enormous market there in America?—Yes, but we shall soon be making no profit, and cannot afford to tax ourselves.

7412. (Sir F. Mowatt.) That does not mean that you are making no profit now?—We are making a bare profit.

7413. You are not continuing to give it away?—No.

7414. (Chairman.) Do you pay your wages in money or in kind?—In money.

7415. Altogether?—Altogether.

7416. The mints now being closed, what do you think is the best course to take? Are you in favour of reopening the mints?—Of course I am not a

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currency expert, and I do not pretend to know what the effect of reopening the mints would be, but I certainly think it would be for the benefit of the empire to reopen the mints. It should never be forgotten that the Indian Empire is a producing empire, and that it is not merely the Government remittances that have to be considered, but the 250,000,000 labourers behind them.

7417. I think you have already said that "India is essentially a producing and exporting country, and it is by her exports that she must live and thrive. Tea, coffee, cotton, jute, cinchona, wheat, pepper, hides, and seeds are some of her most important products, and all these come into competition with such countries as China, Japan, Brazil, and the Central States of America, where the standard is either a silver one, or practically a silver one, as in the case of Japan and Brazil?"—Yes.

7418. Japan is on a gold system?—Yes, but it is fixed at a very low ratio, and it is a question whether Japan will be able to keep her gold—in fact it was told me in the City the other day that the Japanese have petitioned their Government for a bounty on the exports, owing to the introduction of gold.

7419. Do you think that the decline in the value of the rupee has fallen heavily on the consumers of imported goods?—No, I do not.

7420. Why?—Because almost all imported goods are now produced a great deal more cheaply than they were 20 years ago. They have really been produced in a cheaper ratio than the fall of the rupee has been.

7421. Is that so to-day, in 1897–98?—I think so. I think, if you will turn to the Review of the Trade of India for 1896–97, and look at the range of prices in 1875 and 1892, when the rupee was at its lowest point, you will see that to be so. Take grey shirtings, for instance. Taking the numeral 100 as representing the value of grey shirtings, in March 1875 it was 86; in March 1892 it was 74. Then mule twist, in March 1875, was 92, and in 1892 it was 64. Turkey red twist, in March 1875, was 102, and in March 1892 it was 57. Iron, in March 1875, was 93, and in March 1892 it was 64.

7422. Now assuming that imports are cheaper, would they not be still cheaper if exchange did not apply?—I do not think so. If you will turn to the same table you will find that, for instance, iron in March 1892 was 64, and in July 1897 it was 114.

7423. Per ton?—I conclude it is per ton.

7424. What description of iron?—"Iron—flat, bolt," &c.

7425. There has been a fall in the price of steel rails?—Yes. Copper sheeting was 72 in 1892, and in 1897 it was 93. Then turkey red, in March 1892, was 57, and in July 1897, with a higher exchange, it was 62.

7426. You do not think that the actual amount of wages has varied much?—No, they have a little, but not much.

7427. Has the purchasing power of the rupee varied?—No; not for such goods as our coolies use. It depends entirely on seasons. If there has been a good season, such articles as they consume are cheap. If it is a bad season they are dear.

7428. Assuming there has been no rise in wages, which represent $\frac{1}{10}$ ths of the cost of your production, the larger number of rupees that you receive in exchange for your gold price is so much additional profit?—So much additional profit, or perhaps to put it in another way, it saves us from any loss.

7429. Have you at all considered what would be the effect on the finances of India of open mints and a fall in exchange?—I have considered it of course from the point of view of what I may call an outsider. As I say, I do not profess to be an expert in the currency question.

7430. This is not a currency question: it is an administrative question?—I suppose the rupee would fall, and that perhaps, temporarily, it might create a certain amount of difficulty, but it would only be temporary, and I believe the Government of India is

very well able to meet its obligations. It always has done so, and the other day, Lord George Hamilton stated in the House that no country except the United Kingdom could show such a record in its finances for the past 20 years.

7431. That is not with the rupee at 10d.?—But it had gone to 1s. 1d. in that time.

7432. May I take it that in your judgment the tea producers in South India, where you have personal knowledge, and certainly in Ceylon, where you say the considerations are the same, would be handicapped in competing with silver countries by keeping the exchange at 1s. 4d.?—Undoubtedly.

7433. And the other effect also upon your trade would be that it would practically amount to such an additional burden in the cost of your production that it would deprive you of any gain?—I think so certainly.

7434. Is there anything else that you wish to say in addition to that?—I do not think I have anything more to say on that subject, but I should like if I may, as I have been asked to represent that industry, to turn to the subject of the gold production in Mysore.

7435. That is increasing rapidly, is it not?—It is rapidly increasing, but it is also very heavily taxed.

7436. The gold is?—Yes, by the artificial rate of the rupee. Gold is almost as good an instance as one can take. The price of gold may be reckoned as 3*l.* 17*s.* 6*d.* the ounce, and that price is steady: it has not varied, I think, ever since England introduced a gold standard.

7437. In Mysore?—Mysore has followed the price all over the world. Sir John Taylor and Sons, who are the head practically of the gold mine industry in Mysore, write to Mr. Hodgson, who passed the letter on to me, "The expenditure at the Kolar Mines affected by exchange amounts to about Rs. 633,000 per month, or Rs. 7,596,000 per annum, therefore, every penny that is added to the price of the rupee increases the expenditure by 2,637*l.* 10*s.* per month, or 31,650*l.* per annum."

7438. During the greater portion of the period that the Mysore mines have been open has not the exchange been much higher than 1s. 4d.?—Before the closing of the mints it did not affect them, because they were working on an equal level with other countries. They were all on a par.

7439. Are they not paying higher dividends this year?—That may be due to more production.

7440. But that tempers the east wind to the shorn lamb?—It may temper the east wind to the shorn lamb, but still they have this loss of 250,000*l.* If they had their mines anywhere else they would be 250,000*l.* a year richer than they are now.

7441. Is there any other remark that you would like to make?—I think not.

7442. (*Mr. Campbell.*) You think the rupee was fixed too high at 1s. 4d.?—I think it was a mistake to fix it at all.

7443. You think it is too high at 1s. 4d., would you think it too high at 1s. 3d. or 1s. 2d.?—I think it a mistake to fix it in any way.

7444. That is to say you would not have a gold standard at all?—I would not have a gold standard. I think it is unsuitable for India.

7445. If you have a gold standard you must fix it?—Yes.

7446. The tea industry was very prosperous some years ago when exchange was in the neighbourhood of 1s. 2d.?—Yes, before the closing of the mints.

7447. Before the closing of the mints exchange never fell to 1s. 2d. I am speaking of 1894–95?—Yes that is so.

7448. The tea industry was a very prosperous one then, was it not?—Yes, it was.

7449. And if exchange instead of being fixed at 1s. 4d. had kept at about that neighbourhood, is there reason to suppose that it would not have been as prosperous now?—I think it would not be prosperous.

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7450. For what reason?—I think if you are going to fix it at 1s. 2d. when its true value is 10d. you still handicap the Indian producer in his competition with other countries. Of course it takes time to feel the effects of a measure like the closing of the mints. In 1894-95 we had not begun to feel it, it is only recently that we have done so.

7451. You would object to anything but the silver value of the rupee?—I should object to anything but that.

7452. The production of tea has been increasing a good deal during late years has it not?—It depends on what you call during late years. If you take the last three years the output has not been increasing much.

7453. And consumption, I think, has increased?—No, consumption I think is pretty nearly steady now—there is not much more room in the United Kingdom.

7454. So that you do not hope for any increase in prices owing to the increased consumption?—I do not think there is any chance of that. Of course in a bad season there may be a temporary falling off in crops which may conduce to a slightly higher rate, but I do not think there is any chance of a permanent rise.

7455. Not even if the curtailed production which you spoke of is continued?—I do not think so.

7456. You say you have driven Chinese tea partly out of the English market?—Yes.

7457. But you have not done that in America?—We have hardly displaced it at all.

7458. And in Australia?—In Australia we have practically driven China out of the market, but we did that long ago.

7459. Do you know if China is making any effort to regain her hold of the English market?—Well, that she is making efforts to regain her hold on the English market I cannot say, but I know that China is making every possible effort to improve her tea, and I presume that that means she will push it into the English market when she has improved it.

7460. You mean by improved cultivation — ? —Improved cultivation and improved manufacture.

7461. Have you seen any indication of European enterprise being associated with it?—Only from what I have heard. There is the Foochow Tea Improvement Company, whose prospectus you could no doubt get in the city, which has been started for the purpose of improving the cultivation and manufacture of China tea, and that is a body of British merchants.

7462. If that were introduced on any large scale, and tea production on the lines followed in India and Ceylon were introduced into China, China would become a formidable competitor?—Yes, I think she could rush us out of our market.

7463. Especially with the handicap of exchange?—I mean with the handicap of exchange.

7464. Labour is very cheap in China?—Yes. I said just now to Sir Henry Fowler that I had had no experience, but I do know as a fact that labour is cheaper in China than in India.

7465. (Chairman.) Just to get this figure right, the export of tea both from China and Ceylon and from India is rapidly increasing; it increased last year?—The figures for India last year were 148,258,000 lbs. against 148,217,000 lbs. That is a difference of 35,000 lbs.

7466. In the returns that we have it is put at 153,000,000 last year from India?—I got this from a large broker in the city. Every circular that is issued by one of the largest firms of tea-brokers in the city, Messrs. Gow, Wilson, and Staunton, points to the fact that there is not room for more tea in England. I got that from Messrs. Gow, Wilson, and Staunton.

7467. The better test after all is the revenue, there is no doubt about that. Now in 1895 the revenue from tea was 3,587,000*l.* In 1896 it was 3,746,000*l.*, in 1897, 3,799,372*l.* Last year there was an increase again?—Yes.

7468. You say there is no room for expansion of the trade?—I do not think there is any room for the

expansion of the trade compared to the expansion, say, from 1888 to 1892.

7469. I just wanted to call your attention to the fact that there is an enormously rapid increase of the duty received at the rate of 4*d.* in the lb.?—No doubt you are right, but this has been done at a great sacrifice to the producer, who cannot afford a further fall.

7470. (Mr. Le Marchant.) You were speaking of expansion in the years 1888 to 1892. That would have some effect on the market, that is to say, your supplies have been materially increased?—They have been, but up to quite recently they were being increased with the object of driving China tea out.

7471. And succeeded?—And succeeded, but at a great sacrifice of price.

7472. That takes place in other industries?—Undoubtedly.

7473. It is a form of competition?—Undoubtedly

7474. There has been an increase of cultivation in Ceylon?—Yes, and in India.

7445. But not to the same extent in India?—Hardly to the same extent in India, I imagine, the reason being that Ceylon had to make up her leeway. She was interested in coffee and cinchona, and owing to the disease in the coffee they had to get rid of it and to find something to take its place. They had their capital in the soil. They could not remove it from the island, and they had to replace coffee, which they did by planting tea.

7476. And with a good deal of profit in some years?—Undoubtedly, nobody works without.

7477. Now, with regard to wages in South India, have they been increasing in recent years?—Very, very slightly so. There has been a slight increase of wages since I first went to India—a very slight increase.

7478. You were alluding to the prices of the articles the ryot had to buy. I will exclude the famine year, because that was exceptional, but, taking the period before and after that time, would you say that prices have remained the same?—I should say so on the average.

7479. You would not say that there was a general drift upwards?—No, I think not.

7480. You were speaking just now of the gold mines of Mysore as being placed at a disadvantage by the rise of Exchange. Does that apply to anything besides wages? Does that apply to machinery?—No, it would not apply to machinery.

7481. Merely to wages and cost of labour?—Merely to wages and cost of labour.

7482. Is mining labour a special class by itself, or does its rate of wages vary with that ruling in other employments?—They pay rather higher, I think, in the gold mines than elsewhere. The work is underground and is not popular.

7483. So that there is an element either of disagreeable work or greater skill in it which involves an extra price?—Yes, and I think you will find it is the case with all underground labour all over the world, that it is rather higher paid than is the labour of the soil.

7484. And that rate of payment may probably have tended to rise more in Mysore than in the tea provinces?—I cannot tell you that, but I should imagine that they are paying much the same prices now as at first, perhaps a little less. At first they would have to pay higher prices to get the men to go underground at all, but as the people got accustomed to going underground they would have been able to decrease their scale.

7485. Would the wages be higher now than when they were first developing that field?—I do not suppose it is higher, but some few years ago they were working on a level with other silver-using countries. Since the closing of the mints they have been working at a disadvantage.

7486. Would you say that the majority of the gold mines are in silver-using countries?—I do not know that there is much in Peru. Mexico is a silver-using country.

7487. But would you not say that the Cape and Australia and America were three of the chief gold-producing countries?—It may be so, but I do not think that will alter the fact that the Indian gold mines are paying more than they ought to pay, using the artificial rupee. Why should they be taxed at that amount? It is a direct tax on their produce.

7488. But are Indian gold mines at a special disadvantage as compared with other gold mines?—Competition of course really does not much matter, because it is a commodity, the price of which never really varies. You may say that that can always be produced at a profit so far as we have seen at present, but that does not alter the fact that the Indian gold mines are being fined 250,000*l.* a year.

7489. As compared with what the cost of labour would be if India were on a silver basis?—Yes.

7490. Assuming that nothing else varied?—I am speaking of silver at 26*d.* an ounce.

7491. And that wages did not rise?—Yes, and there is no reason to suppose they would.

7492. (*Chairman.*) Your argument does not apply to countries which are not silver-using countries?—No. I bring forward gold as a case, because what happens in gold happens in every other product in India, and when you show that on a small field like the Mysore field there is a tax of 250,000*l.*, what must be the tax on the whole productions of India, because the argument as applied to gold applies to every other product in the country, that you are paying a higher value for your labour than you need by paying it in gold?

7493. (*Mr. Le Marchant.*) And that rate of wages, you think, would be the same, whatever the system of currency might be?—I am sure of it. I am quite sure that a low exchange would not alter the rate of labour.

7494. Nor prices?—I imagine not. I have seen the rupee fall from 1*s.* 10*d.* to 1*s.* 1*d.*, and I never found any material alterations in prices.

7495. But they are subject to variations?—They are subject to good or bad seasons.

7496. So that you feel confident that prices would not adjust themselves to a different level of exchange?—I am speaking of the prices that the coolie pays. I do not think that they would alter.

7497. (*Chairman.*) I can just give the exact figures of tea in the United Kingdom retained for home consumption. In 1891, 202,000,000 lbs. In 1892, 207,000,000 lbs. In 1893, 208,000,000 lbs. In 1894, 214,000,000 lbs. In 1895, 221,000,000 lbs. In 1896, 227½ million lbs.

7498. (*Mr. Holland.*) The tea planter and the grower of produce claim to have themselves the advantage of this 10*d.* rupee. Is not that so?—They want to have the advantage of it.

7499. And you have spoken of it several times as being the true value of the rupee?—No, I will not say that, because the value of the rupee varies. I believe silver is 27*d.* an ounce now. I imagine that would make the rupee worth about 10½*d.*

7500. But within those limits, do you not admit that so far from being the true value it is an artificially low value?—No, I do not admit that.

7501. If the mints had not been closed, for instance, do you think the value would have been so low?—You have to take other factors into consideration. For instance, there has been lately a demand by Spain for silver which has sent silver up a penny or three-halfpence; but if the mints had not been closed, I do not think we should ever have seen the rupee so low as it did go to.

7502. The ground of your discontent is not so much that you cannot yourselves have the advantage of a low rate, but that your competitors in silver-using countries have that advantage?—Yes.

7503. And therefore your competition with them is unfair?—Exactly.

7504. (*Sir A. Dent.*) Is there much tea grown in South India as compared with North India?—As

compared with North India, the tea industry in South India is very small.

7505. Is it 25 per cent. of the tea industry of India?—I should imagine it is not.

7506. Is it 10 per cent.?—I could not tell you without reference to the figures, but I should imagine that of the cultivation of South India, taking tea and coffee together, probably tea is about a quarter of coffee, and, as estimated by the South India Planters Inquiry Committee, the value of the estates in South India is 13,000,000*l.*; that is coffee and tea. So that, probably, the tea might be about a quarter of that. In Travancore, which is a very considerable province in South India, you may say that the whole cultivation is tea, and all through the Nilgiris.

7507. From what ports is that shipped?—Cochin, Quilon, and Calicut.

7508. You say there are probably under 2,000 acres left in South India for the cultivation of coffee. That would apply to tea, would it not?—No, there is more available for tea than coffee. Perhaps I am not quite right in saying that there are not more than 2,000 acres available for coffee. I ought to have qualified that by saying that there are other places that are not now available, but could be made available; I mean there are no roads or railways.

7509. As tea in South India is a comparatively small industry, I suppose you are speaking as much for Ceylon as for South India?—I should really speak, too, for North India as regards that, because our interests are identical. I speak for the whole body of tea producers.

7510. But the planters of South India have rather amalgamated with the planters of Ceylon in presenting themselves before this Committee?—Yes.

7511. You told us that 127 superintendents had been dismissed recently, and that there was practically a panic in Ceylon?—Yes.

7512. Personally, I was rather surprised to hear that, because I hear a good deal about Ceylon. May I ask if that is mere general public opinion, or is it more a private note?—It was a letter to me from my agent. I employ an agent, who is an old Ceylon planter, to get me orders for my tea seed, and it was he who gave me the information. He has been in Ceylon, I suppose, some 15 years, and I have no reason to suppose that his statement is not an accurate one.

7513. When you say 127 superintendents were dismissed, it might be thought from that that 127 estates had been abandoned?—Not in the least.

7514. Possibly it is only 127 assistants?—No, I do know that it is even that. I remember in the old coffee days, when coffee was dying out right and left in South India, the first means of reducing the expenditure was to dismiss the superintendents, and the result was that five or six estates would be put under one management. I, myself, at one time had seven estates. All seven were under my management, without any other European supervision whatever.

7515. The prospects of Ceylon, of course, have not improved in the last few years, but they have not come to abandoning their estates yet?—Yes, I believe they have.

7516. You do not know that yourself?—No.

7517. I suppose the planters of South India and Ceylon, with reference to China, are more afraid of what China is going to do than of what China has actually done, is not that so?—Partially. China has done a good deal already. She has already compelled us to accept a price that we never anticipated that we should have to accept.

7518. I think that is an arguable point. Then you also refer to the Foochow Tea Improvement Company. Do you know anything of its working?—I know nothing of their working, but it would be easy to get hold of their prospectus in the city.

7519. Have they got much beyond the prospectus stage?—I understand that machinery has been ordered and sent out to China. I know that.

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7520. Then, you alluded to the handicap of the 1s. 4d. exchange, as against the intrinsic value of silver. May I ask if you have ever studied the question of the copper cash in China?—No, I know nothing of that.

7521. There is a great handicap there. I have heard it said that a few years ago you could get 1,200 copper cash for the dollar, but owing to the depreciation in silver you now get only 800?—I know nothing of China.

7522. (Sir C. Crosthwaite.) I understand you to say that in your experience wages have been practically stationary in South India?—Not absolutely, but practically stationary. We pay slightly higher rates than we did.

7523. And you say, also, that the purchasing power of the rupee, as regards the articles consumed generally by the labourers, had remained about the same?—About the same.

7524. That would mean, would it not, that the prices of food grains had remained about the same?—Not necessarily, because you remember that the estates in South India are rather inaccessible, and it does not pay to send the food grains out of the country. In my own district for instance, the foot of the hills, from which I come, is 90 miles from a railway, and the railway is some 150 miles from the seaport, so that the cost of transmission of the grain to the seaport is enormous, and they prefer to sell it in the country to shipping it. That is the reason, I imagine, that the food grains have remained stationary; that applies generally to the whole planting district of South India.

7525. That evidence merely applies to a certain tract?—It applies to the whole of the southern Indian planting districts.

7526. What do your coolies mostly live on?—They live on ragi, cholam, rice, curry stuffs, cocoa-nuts, and so on.

7527. Is rice exported from that part of South India to Ceylon?—I do not think so. I could not say so with certainty; they may export a certain amount of rice from Tuticorin; I rather doubt it.

7528. Has not the price of rice risen?—Only according to the season. Rice was very high last year.

7529. Over 20 years, has there not been a great rise?—Not a great rise. Understand, I am speaking of South India, our planting district.

7530. I understood you also to say that there has been no alteration of Indian prices owing to the variations of exchange?—The prices of our produce, do you mean?

7531. Yes, the prices in India of produce?—Our produce in South India is not sold in India. We send it all to England. I do not think I could have made that statement.

7532. You did not make it with regard to produce in India generally?—With regard to tea, certainly not. There has been a great fall.

7533. (Sir D. Barbour.) I think you said that the value of the tea and cinchona and coffee estates in South India was about 13 millions sterling?—Yes.

7534. Do you know how they were valued?—By the South India Planters' Inquiry Committee—a Committee appointed by the Viceroy to inquire into the grievances of the planters of South India.

7535. What year was that?—It was in 1896, I think. They took infinite pains with that inquiry.

7536. Was that the market value at the time, or the cost of creating these estates?—I conclude it was the market value at the time.

7537. You are not certain of that?—Well, the method in which they arrived at their valuation was to send round a series of questions to every planter in South India, requesting him to state the value of his property, and the wages he paid, and the percentage he made on his capital, and so on, and return the questions with the answers to the Committee, and then they formed their own opinion on the subject.

7538. Every man values his own property?—I think so—yes.

7539. So that we may assume that he did not put it too low; that would not be his interest?—Well, I should imagine his interest was to tell the truth, as every gentleman's is.

7540. I do not accuse anyone of intentionally over-valuing his estate, but there is no reason to think that the value was put too low?—I should think in many instances it was put too low. I should imagine decidedly so, but I should imagine what was really done—I certainly did it in my own case—was to put the true value, and I know I could have put it at a higher price.

7541. You put it at its market value?—I put it at what I considered its market value.

7542. Is your own personal industry the production of tea, or tea seed, or both?—Both.

7543. You said you thought the fall in exchange had not kept the rupee price higher for the person who used imported goods. Do you think that that can possibly be the case?—I think so, and I think you will find the figures I have given in my statement are correct.

7544. I am not challenging those figures, but would not the rupee prices have been higher if the exchange had been lower? Must it not necessarily be so?—It depends what you mean. If you mean that rupee prices would be higher now than they would be 15 or 20 years ago, I should be inclined to dispute it.

7545. I do not mean that?—If you mean that the prices would be, say, lower in 1897–98 than they were in 1890–91, I should be prepared to accept it.

7546. I do not mean that either. I mean that if the rupee price of an imported article is 100, with the exchange at 1s. 4d., it must have been something more if the exchange was 1s. ?—Quite so, but I think it requires some qualification, because the argument so far, by the Government of India, has been that the importer now has to pay a far higher price than he had when exchange was high. That is not the case.

7547. I do not think the Government of India have said that?—Yes, I have it here in black and white. "A country as a whole makes no gain in its international trade by a depreciation of its standard, the higher prices received for exports being balanced by those of imports." That is what the Government of India stated, but higher prices, owing to the fall of exchange, have not been balanced in that way, because in 1875 exchange was high, and yet the price of goods in 1892 was considerably lower than in 1875, so that the argument does not hold good.

7548. But the Government of India were dealing simply with the question of exchange. If the exchange is low the exporter gets a higher price, but the importer has equally to pay a higher price?—That is a *sine quâ non*, of course, but you must remember that the import trade in India is insignificant comparatively with the export trade.

7549. I do not know that it is comparatively insignificant, but the question is this, that if exchange is low the importer must pay a higher price than he would have done if the exchange were high?—Of course he would.

7550. You said you thought silver was a better standard than gold?—Undoubtedly.

7551. Why is it better?—Because the goods of India compete with those of other silver-using countries, and if you are going to have a fixed standard in gold you immediately handicap the Indian producer.

7552. If the other country issued inconvertible paper, like Argentina, and caused a fall in the exchange, how would you meet that competition?—I am not a currency expert, and I cannot answer questions of that class. I only know that provided there is a fixed currency in India, and we have to compete with China and the Straits and other countries with the ordinary standard, we are handicapped tremendously.

7553. Do you think it is a permanent handicap?—Undoubtedly.

7554. Why would it be so?—I think if India has a gold standard she will import very much less silver, and so much more will go on the market that prices will run down, which will give a bonus to other silver-using countries.

7555. Do you not think that wages as well as prices will rise in those silver-using countries?—No, I do not think there is any reason to suppose so.

7556. (*Sir J. Muir.*) I think you mentioned that you considered that you had retired from India for good?—I had not intended going back.

7557. But now you feel that you will be compelled to return to India?—I know I shall.

7558. Why?—Because I cannot live in England.

7559. Why?—Because my income has been so reduced that I cannot afford to live here.

7560. Reduced by what?—By the depreciation of the rupee, by this tampering with the exchange.

7561. Then you feel, as it were, that you have a grievance against the Government of India?—I think I have a most decided grievance, which is shared by all producers.

7562. It is shared by the planters of Southern India?—I know it is shared by all planters, and I am quite certain that if it were understood by the natives, it would be shared by the natives. Unfortunately in India this sort of information very slowly percolates to the small producer, and he does not understand the mischief that is being done him. As soon as he gets to understand it, I imagine it will be a serious matter.

7563. Can you tell us about how much capital has been invested in tea in South India?—I should think about 3,000,000*l.* sterling.

7564. You have referred in strong terms to the effect that this policy of the Government in closing the mints, and fixing the rupee at 1*s.* 4*d.*, will have on you personally. Now, are you anxious lest your estates in South India should become unremunerative?—That is what I fear.

7565. Not merely that they may not give you any income on which to live?—What I fear is that I shall have to put into my estates, in order to keep them going at all, the income that I have outside my estates altogether. I fear that my income will be less than my expenditure on the estate.

7566. Then, with regard to the other planters who have solely their estates to depend upon, who perhaps may be financed by houses in Madras, or it may be in London, what will be the effect upon them?—The estates will be taken over eventually, I imagine, by the firms who financed them. That happened before in the case of the coffee disaster in Ceylon; the estates which got involved to the coast firms were taken over by the coast firms, and there was widespread ruin among the planters.

7567. We had a very leading banker before us recently who spoke of this action of the Government of India as being, in his opinion, arbitrary and despotic—do you share his views?—I not only share his views, but it seems to me as absurd for the Government to try to artificially fix the value of the rupee, as it was for James II. to melt down brass cannon and coin them, and call them shillings. You will not get the outside world to accept your artificial standard. You appreciate the coin beyond its full value, but the world will not accept it, it can only circulate in the country; it would probably cause a revolution in any other country but India that understood it.

7568. You mentioned, in addition to tea proper, that you were a producer to a considerable extent of tea seed?—Yes, I am.

7569. And that you had found it impossible to sell any of your seed for next season?—Yes.

7570. You talk of that as an indication that the planters of South India have got frightened at the prospects of their business being seriously imperilled?—I think that is the reason entirely. I know of no reason for it otherwise. I have been able to sell before, I cannot sell now.

7571. Do you sell it entirely in Southern India or in Ceylon partly?—Entirely in South India.

7572. Your estates are in Travancore?—Yes.

7573. The planters of South India seem to feel that they have a strong grievance against the Government of India in consequence of this arbitrary proceeding. Have they suggested any means whereby they might get relief from this injury that they are sustaining?—The planters of South India are perfectly willing, should the Government of India find it necessary to make good the deficit, to submit to an export duty on their produce in order to make good any deficit there may be. But in saying that, of course they assume that it would be put on the produce of India in general; I mean on all produce, wheat, jute, hides, and everything.

7574. Have you considered the question as to an increased tax on imports?—I do not think that you could do it by increasing the tax on the imports. There is already a 5 per cent. import duty, and it seems to me only fair that if revenue is required, it should now be raised from the exports.

7575. (*Chairman.*) Who pays the duty that is put on the exports?—We do not pay any now.

7576. But suppose a duty were put on exports, who would pay it?—I suppose the producer.

7577. Do you think so? Suppose Government put a duty of 2*d.* in the pound on tea exported, who would pay that extra 2*d.*?—I suppose as it was sent from the port of shipment—

7578. I do not mean to say who would find the coin, but who would be the ultimate payer? Would not that increase the price of the tea in the London market?—I do not think it would, because you have got China as a factor.

7579. But you must pay it on all exports?—I mean Indian exports.

7580. You propose that the London consumer shall be liable to have the price of his tea imported from the British Empire raised so that he will have to pay a higher price for it than if tea were imported from China?—I do not think he would have to pay a higher price for it myself. Because I think if we had a very small tax, say 3 per cent. on tea, our price in London now would be sufficient to cover it.

7581. Do you mean that you have such a large margin that you could afford a duty of 2*d.*?—I did not say 2*d.*, I said 3 per cent.

7582. But the principle is the same?—Hardly, because at present we are paying a duty of 40 per cent.

7583. (*Sir J. Muir.*) In reply to the Chairman you are making a comparison; that is to say, you and the planters of southern India consider that you are practically loaded just now by a heavy duty in respect of this 1*s.* 4*d.* exchange, and that suppose a 3 per cent. duty were put upon you to meet the Government budget?—It would be infinitely preferable to paying the disguised duty that we now pay.

7584. (*Sir F. Mowatt.*) You said that the effect of the change from a silver standard to a gold standard in India was so severe, that if it had been applied to any other country it might have caused a revolution?—I did not say that, I think. I said that the artificial raising of the rupee, I believe, in any country that had the intelligence to understand what effect it would have would have caused a revolution. I believe that such a measure of legislation would have been absolutely impossible in this country, granting that this country had a silver currency. I do not believe it would have been possible to have done such a thing.

7585. But there has been a change from a silver standard to a gold standard in Germany, has there not?—Yes; but I was speaking of the artificial appreciation of the currency, not of the introduction of a new standard. I said the artificial appreciation of the currency, supposing you have a rupee at 2*s.* and you arbitrarily call it 2*s.* 6*d.*, I say that would cause a revolution. I say that the introduction of a gold piece to represent 2*s.* would cause a revolution.

Mr. G. L. Acworth.

19 July 1893.

Mr. G. L.
Acworth.
19 July 1898.

7586. (*Chairman.*) You object to a gold standard for India, because it would put India into such a disadvantageous position in competition with silver-using countries?—Yes.

7587. Are you aware that 80 per cent. of the trade in India is done with gold-using countries?—Yes, I am.

7588. How would that affect your opinion?—Whether you introduce gold or not, our wages must be paid in silver. As I understand it, this gold is not to circulate, it is to be hoarded.

7589. That is not the point; that is a detail of one scheme. I understood you to say that you objected to a gold standard for India altogether, no matter how worked out, because it would put India at a disadvantage with silver-using countries?—Yes, because we compete with silver-using countries.

7590. And you compete with gold-using countries?—No, we do not compete with gold-using countries, we compete with silver-using countries. Our goods are almost all sent to Europe.

7591. To gold-using countries?—To gold-using countries, and are sold in gold using countries; but we compete with China and the Argentine.

7592. But you compete with China so far as tea is concerned in London?—No, we compete with China so far as tea is concerned in China.

7593. But you send your tea to London and they send their tea to London, and you beat them because you have a better article which you sell at a lower price?—But the China producer can buy more silver than I can; therefore he has an advantage. I compete with him in his own currency.

7594. You say you are not a currency expert, and you need not answer this unless you like; do you not think that the standard of value and the medium of circulation should be liable to as few fluctuations as possible?—Yes.

7595. Then putting the Government out of the question, let us take the enormous fluctuations in the price of silver?—I quite admit all that, but there have been many factors to make silver fluctuate. If the Government of India would adopt the policy suggested, if they would reopen the mints, undoubtedly silver would fluctuate at first, but I believe the rupee would gradually steady down, and keep its relative value with silver.

7596. Is not the price of silver affected by the cost of its production, and the increase or decrease of its supply?—Yes, but there is no reason to suppose that

its fluctuations would be any more violent than those of any other product. The mistake that has been made is looking on silver as silver. If you would only look upon it as a marketable product just as tea or jute, or any other product, there is no reason why it should fluctuate more violently than any other product.

7597. You say that an artificial coinage would be of no value outside India?—No.

7598. I agree, but how do you apply that to the artificial coinage that we have in this country?—How do you mean, artificial coinage in this country?

7599. What is the intrinsic value of our shilling?—It is not the coinage of the country—it is not the standard.

7600. I know. We have a gold standard, but we have a token currency?—You have a token currency, and by law you cannot pass more than a certain quantity of it—forty shillings. A shilling is not worth the twentieth part of a sovereign.

7601. Does it not circulate as the twentieth part of a sovereign?—Only by law.

7602. No, there is no law which enables you to get gold for silver?—There is a law which prevents your tendering more silver than the receiver likes to have, which practically amounts to the same thing.

7603. Practically the shilling does circulate here, although it is a token coin?—It circulates as a cowrie does in India. You find in India the cowrie used as a medium of circulation, but it has no value.

7604. My point is that all token currencies partake of that element?—Yes.

7605. Now you said that there was a loss to the native by a high exchange?—By an artificially high exchange.

7606. Where does that come in?—He receives less for his produce.

7607. Would not that mean lower prices?—Where?

7608. If he has to sell?—He gets less if he has to sell.

7609. But you said prices had not changed?—No, I beg your pardon; I qualified that statement by saying that the prices that our labourers pay have not changed. The produce they use for subsistence cannot be sent out of the county owing to the enormous cost of transport; they have no means of sending it. It is a curious fact that in our hills the prices of grain have kept steady; but if you take rice that is sent down to the coast the price has risen enormously.

The witness withdrew.

Adjourned.

(For Mr. J. E. O'Connor's evidence on this day, see *supra* p. 51.)

SEVENTEENTH DAY.

Monday July 25th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
 SIR JOHN MUIR, Bart.
 SIR FRANCIS MOWATT, K.C.B.
 SIR DAVID BARBOUR, K.C.M.G.
 SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
 MR. ROBERT CAMPBELL.
 MR. EVERARD HAMBRO.
 MR. W. H. HOLLAND.
 MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

The LORD ROTHSCHILD called and examined.

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7610. (*Chairman.*) I understand you have a statement you wish to read to us?—I may say at the outset that I know nothing of India itself, never having been there; therefore, in reading this paper, and in giving my opinions, I only give them as an Englishman, and knowing the circumstances in other countries. In this paper I have replied to the questions that were sent to me. I had better say at once that I did approve of the closing of the mints to the free coinage of silver in 1893. Owing to the cessation of purchases of silver by the United States Government, and the failure of the Brussels Conference to come to any conclusion, the Indian Government were face to face with a grave financial crisis, and in view of the impossibility, or supposed impossibility, of increased or new taxation on any large scale, there was no other course at the time open to the Indian Government except the closing of the mints, notwithstanding the fact that the great fall in silver might be of benefit to other silver-consuming countries. I certainly think that there were faults of detail in the operation; the first fault was coupling the closing of the mints with the subsequent introduction of a gold standard and a gold currency; from this remark it follows that no limit should have been placed on the expected rise in the value of the rupee; by fixing the maximum value of the rupee at 1s. 4d., the Indian Government notified to the financial world and to exchange banks and dealers the highest price they would have to pay for remittances to India; in fact anyone depositing a sovereign knew he could always receive 15 rupees; so that a very strong inducement, in fact more than an inducement, was held out to the financial world to withdraw floating capital from India, when the exchange was 1s. 4d., on the presumption which has often been realised that money could at certain times be sent back at a lower rate of exchange.

7611. Do you know that there was a difference of opinion amongst the members of the Herschell Committee about that 1s. 4d.?—Yes.

7612. You may remember that Mr. Bertram Currie was strongly opposed to that?—Yes. I think it right to mention here—although perhaps it has nothing to do with this part of the question—that there is an idea among a great many, that if you could only assimilate the currency of India, or the standard, to that of England, money would flow to India in time of stringency as it does to London when the Bank rate is raised. Now the Committee must bear in mind that the circumstances of the London market are not only very peculiar, but quite exceptional, namely, almost the whole trade of the world is effected by means of bills on London, and during every day of the year large amounts of bills fall due for foreign account which

have to be met at maturity. As a rule these drafts are met by other long drafts which are discounted in the open market here. Now, when from exceptional circumstances the rate of discount rises here, it naturally pays those who are indebted to this country to remit gold rather than long bills. As far as I know, India is not in a similar position, and the only way in which capital goes to India for a short period is through the intermediary of the exchange banks; they can tell you better than I can how far it is possible with safety and prudence to lend money in India; no doubt occasions do arise when rupee stock finds its way over here, but I think, so far as this discussion is concerned, nothing that can be done would place an Eastern State on the same basis as an European one.

7613. You mean in the automatic flow and reflow of gold?—Not of gold, but money for short periods. When the Indian Government closed the mints to the automatic coinage of silver, the Indian Finance Minister and the Indian Exchequer were put in exactly the same position as the Russian Finance Minister and the Russian Exchequer have been in the last 10 years. Russia has during the last 10 years been creating a large reserve of gold; I believe it now approximates to 130,000,000*l.* This reserve has been created, first, by keeping in Russia the produce of the Russian gold mines; secondly, by receiving the coupons of her external debt as customs duties, as well as receiving those duties in gold or in the bank notes of England or France, which is exactly the same as gold; thirdly, by large borrowings outside of Russia, and redemption of internal loans; and fourthly, by exchange operations, when considered necessary by the Minister. I will explain this: at times Russia has had a superabundant harvest, and there has been a plethora of bills offering for sale; the Russian Government have never hesitated one instant; they depressed the exchange, which was a premium on exports, by becoming large buyers of bills, and, whilst they were borrowing abroad for their general purposes, ordered gold to be sent to them from the proceeds of these bills. I am perfectly well aware that it is difficult to compare the action of the Russian Government with that of the Indian Treasury, inasmuch as one Government is quite autocratic while the other has to a certain extent to depend on the sanction of the English Parliament. At the present moment the Indian Government have just floated a loan for 6,000,000*l.* in England, and if report is to be believed, they are about to issue a rupee loan for 2,000,000*l.* in India; the action of the Russian Government would probably have been a different one; they would have issued a loan for 8,000,000*l.* in

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England, and would, in all probability, have sent 2,000,000*l.* of gold to Calcutta to be held against their issue of notes there, and would have coined a portion of the silver in their Treasury which would have been put in circulation, and it would not have been a disadvantageous operation. The Indian sterling loan costs the Government about 2½ per cent., whilst rupee stock is now sold in England and India to pay 3½ per cent. Notwithstanding the facts which I have mentioned above, that the present condition favours other silver-consuming countries, I should never have advocated the re-opening of the mints unless by arrangement with other nations, and I consider it a mistake on the part of the Indian Government discarding in the way in which it has done the proposals made by America and France last year; naturally India should have reserved her right to coin gold as well as silver, but the other conditions raised by France and America were conditions which regarded not India but England, and although I consider the majority of the conditions not only impracticable but absolutely impossible, the question for Her Majesty's Government in London to consider was, and is, which sacrifice is preferable—to help to reopen the mints to the free coinage of silver, or to assist the introduction of a gold standard and currency? Before answering the question of a gold standard and currency for India, I must be allowed to remark that at present there can be no analogy between a country like Egypt and India as it is to-day. To begin with, there is no importation of silver into Egypt, and if you wish to establish a gold standard and a gold currency in India you must either absolutely prohibit the importation of silver into India from private sources which always will leave the Government of India the right to buy silver if they want it, or put such a heavy duty on the importation as to make it prohibitive. I think I ought to remark here that, since writing this, I have seen various gentlemen who are connected with the trade of India, and they assert that silver is now a commodity, and that you would have no more right to prohibit the importation of a commodity like silver than you would to prohibit the importation of any other commodity, but that you would have a right to put a very heavy duty on it. I personally do not think that silver is introduced so much as a commodity as a form of currency, which the native prefers; but, as I say, I have not been in India myself, and therefore I can only speak from hearsay. You must also bear in mind that since the British occupation of Egypt, not only has the drainage of gold to Constantinople completely ceased, but also that the interest on the debt has been considerably reduced. Large irrigation works and light railways have been constructed, and are still being constructed, with the aid of foreign capital, the area of land under cultivation has considerably increased, and with the area the exports have considerably increased, besides which, the increased number of travellers to Egypt alone accounts for the automatic flow of gold to that country. In considering the question of a gold standard and a gold currency for India, one can only compare the circumstances to those of, say, Austria and Russia. Both those countries had, no doubt, in former times, made a somewhat free use of the printing press. I think I ought to mention here that although both Austria and Russia had State banks, in time of difficulty the State issued notes of their own, which passed as legal tender.

7614. Were they inconvertible?—They were inconvertible. When they determined on a gold standard no more notes were issued and the influx of silver stopped; the silver in the possession of their Treasuries being used for fractional currency; similarly, it would be necessary for the Indian Government to stop the influx of silver, and the next step would be to raise a loan in England for the purchase of 18,000,000*l.* or 20,000,000*l.*, in order to buy gold to be held as a reserve against the notes now issued against silver (at present held by the Indian Government), the silver being in future reserved for fractional currency. I

am afraid my evidence may startle some nervous people, but I have no intention of advising that the 18,000,000*l.* or 20,000,000*l.* of gold should be purchased at once; the operation would naturally extend over some years, as the Austrian and Russian operations did, and would require very careful manipulation and knowledge of the markets of the world. On the advisability of a gold standard and a gold currency for India—and I cannot separate them, though for a time the gold may not be put into circulation—I must emphatically remark here that a change of that kind, desirable as it may be in the interests of India, will be of no avail and will effect no permanent good unless steps are taken to increase the exports of India, because it is on the magnitude of the export trade that the future of a gold standard and gold currency depends. It is quite true that the staple trades of India—cotton, jute, indigo, wheat, and tea—are the results of private enterprise, but the opium trade, which is not only of great benefit to the Indian Revenue, but also affords an article of export to China, shows how in a country like India trade may be fostered. If the Indian Government had pursued the same policy with tobacco as they have with opium and with other articles, such as silk, &c., there would probably be at the present moment a much larger balance of trade in favour of India, which of itself would, if there had been no limit to the value of the rupee, have solved some of the existing difficulties. He would be a rash man who affirmed that the American currency, as it now stands, is on a sound and satisfactory basis; twice within the last 10 years have the United States Government been obliged to raise large loans for the purpose of obtaining gold; but what is the present state of America? During the last 12 months her exports have been just double her imports;—240,000,000*l.* against 120,000,000*l.*, and these exports have not consisted entirely of agricultural produce or of minerals, but to a large extent of marvellously finished goods, electrical apparatus, and machinery to all parts of the world, railway engines, and even rails to India and Australia. Naturally, America has been greatly benefited by her splendid system of railways, and when on the subject of railways, I must say here that in my opinion any amount of capital could be found in England for Indian enterprises, such as railways and irrigation works (naturally some guaranteed and some unguaranteed), if the Indian Government had given more facilities and had been more liberal to private enterprise. Whenever a railway concession has been granted to a private individual or a company, the Indian Government reserved to itself the right of repurchasing the enterprise after the lapse of a certain time, making the investment of capital unattractive. The same policy applies to the development of minerals in India and Burma. I personally have no doubt that under generous treatment the capital required for the development of India could be found in the London market, but as this is only one of the side-issues raised I must again refer to the main question, viz., Which is the best currency to be adopted for India? The authorities at Calcutta, having discarded all idea of an international arrangement for the renewal of bimetallism—I suppose there is nothing now to be said on that question: and your Committee have now to decide between a gold standard and gold currency pure and simple, and between the continuance of the present arrangements with such improvements as past experience has proved to be necessary. With my small knowledge of India I should not venture to express an opinion upon the desirability of a gold standard for that country; if it were introduced it probably would be judicious to fix a higher rate as the value of a rupee than 1*s.* 4*d.*; the savings in exchange would partially recoup the Government for the loss of interest on the loan to be raised, and for the possible, I will not say permanent, but temporary, falling off in the revenue owing to the new circumstances which a change in the currency would bring about. It would naturally take some years to establish the gold currency. One of the

points on which there has been much discussion is the fact that during a long period of years, namely, from 1835 to 1895, the net imports of gold into India amount to nearly 150,000,000*l.*; none of this gold is visible to the naked eye, and it is presumed it is hoarded by the natives; how far this is a fact I do not pretend to say; silver coinage is naturally used for daily purposes, and the supposed hoarding, particularly of small bars, of which I have brought a sample, may be no more or no less than the sovereigns which some people carry about with them. To outside observers the closing of the mints has probably increased the desire for hoarding, and silver and gold bars which are freely sold in the native bazaars pass for money instead of a coin with the Sovereign's head. If it were clearly proved that in an European State with a paper currency there were hoardings of gold amounting to more than 100 millions sterling, it would lead one to believe that the adoption of a gold standard and gold currency could be more easily effected, and that ultimately those who hoarded the gold would exchange it for bank or State notes. I mention that because it is a fact that in 1870, at the time of the Franco-German war, the Bank of France had to suspend cash payments because there were great hoardings of gold, and confidence was restored. The same thing happened in America during the Civil War, and also on other occasions. I think you may take it for granted that in a civilised State, where there is hoarding, it is a very easy matter for the restoration to a gold currency. How far this may be the case in India I do not pretend to know, but considering that India is administered by Englishmen, that her credit stands higher than that of almost every European nation, England excepted, and that she has at present a surplus of exports over imports (certainly a large surplus if you deduct the silver), it would appear to outside observers as if the elements for the introduction of a gold standard were not wanting in India. I have treated this question simply from the point of view of the possibility of introducing a gold standard and not from the point of view of the effect which a further fall in silver might have on the exports from other silver-using countries. If the Committee should discard a comprehensive scheme for altering the currency, there remains nothing but to consider what can be done to alleviate the ills which the present system is said to have created. The prevalent idea seems to be that if you could ensure a certain fixity of exchange money would flow to India; my belief is that the Indian Government will attract money to India for public works and for great undertakings if they set to work in the right way. I also believe, although I may be quite wrong on the subject, that quite apart from the fluctuations in exchange, the great banks which now carry on the Eastern trade have discovered that the right and only policy for them to pursue is to keep their capital intact in London and to be continually sending it backwards and forwards. The policy of borrowing money in London and allowing one's agents in distant branches, not only in India, but elsewhere, to lend it out on security, the value of which is unknown at the head office, has been curtailed for a great number of years. Two proposals have been made for remedying the present evil, the one is Sir James Westland's and the other is Mr. Lindsay's. There are, in my opinion, two fundamental errors in Sir James Westland's proposals, the first is that in order to remedy the present evils he would increase them tenfold by creating an alarming stringency in the money market, the second is the proposal for melting down rupees and selling silver bullion. The sale of the silver bullion in India would not prevent the importation of that metal; it would considerably knock down the price, and in that way, according to Sir James Westland's own showing, in his despatch about bimetalism, would benefit the trade of other silver-using countries. Mr. Lindsay's scheme has, on the other hand one great and distinct merit, he recognises that the closing of the mints was a blow to

what I may call free trade in currency, and has put the Indian Government in the same or a similar position as the Russian Government was in some years ago; his remedy, however, is a very doubtful one; he proposes to be a seller of drafts on London at 1*s.* 3 $\frac{3}{4}$ *d.*, so that whenever the exchange is below this fixed price the exchange banks and others who are continual buyers of Council drafts would avail themselves of his offer. At the same time he proposes to draw on India at 1*s.* 4 $\frac{1}{8}$ *d.* Now during the last five years the average for Council drafts has certainly not been higher than 1*s.* 2 $\frac{1}{2}$ *d.*, and this although repeatedly during this period the Indian Council has stopped drawing altogether. I fail, therefore, to see how he will be able to draw on India at 1*s.* 4 $\frac{1}{8}$ *d.* The idea that a man would buy a Council draft at 1*s.* 4 $\frac{1}{8}$ *d.* in order to secure a comparatively high rate of interest for a few months, and when he knows that he will probably lose 2 per cent. on his remittance home is one of those problems which I cannot solve. I should like to explain that rather more fully. As far as I understand Mr. Lindsay's scheme, he says money has been worth 15 per cent. per annum or more in India; 15 per cent. per annum is 3 $\frac{3}{4}$ for three months, and he and his friends in various documents have stated that, when money is dear outside London, people send it to Germany or Paris or New York for three months. Now, suppose Mr. Lindsay's scheme were in operation, what would be the effect of that? A man would have gone to the Gold Standard Office, as he calls it, and have bought a draft on London at 1*s.* 4 $\frac{1}{8}$ *d.* in order that he might lend the money for three months at the rate of 15 per cent. per annum, or 3 $\frac{3}{4}$ per cent. for the three months, although he knows that it will cost him 2 per cent. presently to remit his money home. Mr. Lindsay thinks that that is likely to happen. I think it is ridiculous. If it is intended to regulate the fluctuations in the exchange by means of a large bank, then I may be allowed to mention that during the last few years of the reign of Don Pedro Segundo in Brazil, a large bank was started with the object of improving and regulating the exchange; the capital for this bank was easily subscribed both at home and in Europe, and when their drafts on their correspondents first appeared the effect on the exchange was no doubt considerable, but as is usually the case with operations of that kind, the bank lost very large sums of money by their operations, and certainly produced no permanent improvement in the exchange. I would mention another case famous in financial history, but it was long before my time, namely, the United States Bank, which was founded between 1830 and 1836, the primary object of which bank was to regulate the exchange between America and England—and as you, sir, and the Committee are no doubt aware, the failure of the bank was disastrous, and brought down a good many houses at the time. If a bank were established to carry on the exchange business suggested by Mr. Lindsay it would probably have to be affiliated to the present exchange banks so as to avoid competition, and then in the interests of its shareholders it would always be more or less in open competition with the Government. It is perfectly true that various Governments during the present generation have reverted to a gold standard and currency; the American Government after the Civil War, for a time, collected their Customs duties in gold, and then made a loan for a certain amount which enabled them to say that their green-backs and national bank notes were redeemable in specie; they have had twice to come to the assistance of their note issue, but during the last 18 months the tremendous prosperity of the United States has done more for their currency than any legislation. After the war of 1870 the indemnity which the German Government received from France enabled them to change their various existing currencies into a gold and monometallic basis, although I have been told that at the present moment the Bank of Germany still holds a certain amount of silver which is

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nearly 10 years to establish a gold currency; she was probably helped by the produce of her own mines, but the efforts and the sacrifices have been heavy, and, curiously enough, now that the gold currency is established, the great difficulty for the Russian Government is to get the gold into circulation; the Russian peasants still cling to the idea that the double Imperial only represents 15 roubles of paper money, and cannot make out why they are called upon to give up 20 roubles of paper, the Russian Government having fixed a par of exchange at about 25*d.* per rouble, instead of 37½*d.*, as it was formerly. The Austro-Hungarian Government, who, like the Russian Government, had issued a large quantity of paper money in time of war, borrowed 30,000,000*l.* to redeem that paper money—they were helped at first by abundant harvests, and although the bank does not part with their gold freely, still they are obliged on occasions to let some of the gold out which has lately shown a disposition to come over the border. What the cost to the Italian Government was to try and secure a gold currency, Mr. Hambro, a member of your Committee, will be able to explain better than I can, but gold coins are certainly very scarce in Italy just now. Owing to the great depreciation in silver, Chili made an attempt a few years ago to introduce a gold standard, but it has not so far proved a success, and the same may be said of Japan, the latest convert to a gold standard. If India is to adopt a gold standard and currency, she will have to make long and steady preparations as the Russian Government did, and although the amount of gold she would require might at first sight seem large, it must be remembered that the annual production of gold is now 45,000,000*l.*, and is rapidly increasing every year.

7615. That is the annual production throughout the world?—Yes. I think, myself, it would be nearer 55,000,000*l.* than 45,000,000*l.* sterling; but I do not say that with any authority. To sum up, I do not venture to advise the adoption of a gold standard and currency for India as I am practically unacquainted with the country. I have merely attempted to show that Sir James Westland's scheme is impossible and that the Lindsay scheme as it now stands would not effect any of the reforms expected from it, and I would only repeat in conclusion that, to my mind, the principal object to bear in mind is to increase the prosperity of India by developing and opening up that vast empire, thereby increasing her capacity for exporting. It should not be forgotten either that the policy of closing the mints has, perhaps, hardly had a fair trial, as during the last three years India has passed through a series of calamities, such as famine, plague, and frontier wars, from the effects of which misfortunes she is only just recovering; and that it is to be hoped she will now enter upon a period of calm and prosperity which will enable her to derive the full benefit from her great natural resources.

7616. I am sure we are exceedingly obliged to you for your paper. I only want to trouble you with two or three questions. First, with reference to those gold bars that you produced to us. Can you give us any idea of the number of those bars that are sent out to India?—I had the accounts made out from the Wood Street Smelting Works of the number of bars made in 1893, which was the year that we purchased it. From 1893 down to the first five months of 1898 we made 5 millions sterling worth of these bars. The first fortnight of June of this year we made 376,000*l.* worth of these bars. The clerk told me the other day that he had not got the figures, but he said there had been a steady increase. I asked him why, and he said it was probably owing to the sudden rise in silver, which is, perhaps, due to a certain extent to the scarcity of silver, and also due to Spain coming in and being a large buyer of silver. I telegraphed out to the two chief smelters of the United States to ask them if they would furnish me with a return of the silver production of this year. This is the answer that I have had: "United States silver production last year, 56½ million ounces; Mexico, 54 million

"ounces;" that is altogether 110 million ounces, and I think you may take it that, with the exception of a very small quantity which was produced in Australia, America and Mexico are the chief silver-producers of the world now. "No statistics this year; do not anticipate serious change in other countries; anticipate 2*s.* 10*d.* would not materially increase production in Mexico or States, because in Mexico the principal items entering into cost are paid for in silver, and silver produced from by-products and high-grade ores in a country will be produced in any event, and it requires an enormous quantity of low-grade ores to materially increase production. I anticipate considerable increase in production of silver if advanced to 3*s.* 3*d.*"

7617. (Lord Balfour of Burleigh.) What does 2*s.* 10*d.* mean?—That is the price per ounce of silver.

7618. (Chairman.) What becomes, in your opinion, of those bars when they go to India?—I have asked one of the highest authorities that I know in Indian matters what becomes of them, and he says the majority of them are taken by the Indian bankers as a reserve. I must tell you that some bars do come back from India. It is a very curious thing. It is not the bars that we make that come back, but the bars which are sent from China, which are not smooth, but rough. We have never had a bar back from India of our own manufacture.

7619. The effect of that would be to strengthen the argument of those who hold that gold is hoarded in India?—Yes.

7620. I gather that your opinion, on the whole, is to go on as we are?—Unless you make up your minds gradually to introduce a gold standard and a gold currency together.

7621. You think a gold standard without a gold currency impossible?—I do, and I would go still further. I think if you make up your mind to introduce a gold standard and a gold currency together, you must be prepared on occasions to send gold back to London. I asked on Friday what was the amount of gold that we sent to Russia in 1891–92 for account of the Russian Government. I find that in 1891–92 we sent 8,550,000*l.* of our own gold and 1,500,000*l.* for the Bank of England, but against that in 1890—that was the time of the Baring crisis—the Russian Government sent 1,500,000*l.* of gold to the Bank of England which they lent them, and they sent us 1,500,000*l.* Again, on various occasions, when money has been very tight in Germany, the Russian Government has never hesitated to send gold out of the country, although they were preparing for a gold reserve. If the Indian Government were to make up their minds to go in for a gold standard and a gold currency they must also make up their minds at times to send gold back. They cannot introduce a great change in the Indian currency and say "We do not care about the money market, that must take care of itself." They must be prepared to act with a bold hand and to send gold out.

7622. (Sir F. Mowatt.) That is to say, there would be a mutual desire for accommodation between London and India?—Yes.

7623. (Chairman.) What time do you consider would be sufficient to establish a gold currency in a normal state of affairs?—My idea was that the Indian Government, as a Government, would only have to provide about 20,000,000*l.* of gold, and that, either by preventing the importation of silver, or by putting a heavier duty on it, a certain amount of gold would flow automatically to India, and I would have supposed that it would not have taken India more than two years, if so long. I wrote to Vienna and asked them for particulars of what happened there, and they sent me this paper in German. They raised, I think we may say, 30,000,000*l.* sterling, but they only bought 20,000,000*l.* of gold; and they put a foot-note here showing that it did not take them three years to bring about the change. Now if Austria can do that in three years, India can certainly

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do it much more quickly, backed up with the credit of the English Government.

7624. Do you attach supreme importance to there being a stable rate of exchange between India and this country?—It depends what you mean by a stable par of exchange. I do not think, even if you had a gold currency, you could keep the exchange within certain points. Within limits, I think it is always a great advantage to a country having a stable exchange rather than when it fluctuates very widely.

7625. (*Lord Balfour of Burleigh.*) I wish you would explain to my uninitiated mind on what ground you say a gold standard cannot be introduced without also a gold currency in India?—I have tried to find out what is meant by a gold standard, and I have not been able to solve it myself.

7626. One of the few things which I think everybody here has agreed in representing to us is that a gold currency would, in India, be quite useless, because the transactions are so small in amount that even silver is too expensive a medium, and that in fact most of the transactions are in copper. What I understand is meant by a gold standard is this, that people who have large transactions, chiefly export trade with gold-using countries, should be able to exchange gold for rupees and rupees for gold at a previously-announced rate. Now the question I want to put is, why, in your opinion, is that condition of affairs necessarily linked with what you describe as a gold currency?—My experience is that you will never be able to secure what you call a gold standard unless the Government has got the gold coins to give to those who want to export, and not bills.

7627. Undoubtedly, and I think it has been proposed to give gold coins to those who come and ask for them at certain rates. That is the intention?—The moment you establish a machinery for dealing in bills, the doubt arises in the minds of those who are dealing, and the doubt becomes a certainty, that they cannot get gold, and the whole thing always fails.

7628. I put a hypothetical question. I know you think that Mr. Lindsay and Sir James Westland are wrong in the particular methods of working that they suggest, but suppose for a moment that they were right, do you think that their schemes for a gold standard would be then a success or a failure?—I have tried all I can to separate the two things, and I cannot separate them.

7629. I understand you also to take exception to the special figures suggested by Mr. Lindsay—1s. 4½d. for drawing on India and 1s. 3¾d. the other way—on account of what you put to us very lucidly, that that would mean a loss of 2 per cent. in moving the gold back again to this country, after it had been profitably employed for only three months?—Yes.

7630. But do you not think that it might lead to gold going out to India and remaining there longer than the three months, on the ground that although it would not be so profitably employed in the slack season as in the busy time, it would still get a remunerative rate of interest?—I have tried all I know to solve Mr. Lindsay's scheme and Sir James Westland's scheme, and I do not think it would solve the question at all. I think it is simply and purely an artificial thing, and all artificial things always break down. If you were to stop the importation of silver into India now, completely, gold must flow there owing to the balance of trade in favour of India, but any scheme like Mr. Lindsay's scheme is so artificial that it could not last.

7631. Do you apprehend that too much gold would go to India?—No gold would be taken to India under Mr. Lindsay's scheme. You would have exactly the same thing as happened in the case of Brazil and the United States of America. They would begin by raising a loan here. Mr. Lindsay says he does not mind if he raises a loan here of 5 millions, 10 millions, or 15 millions sterling. The Department in India would be a continual drawer on London, and the money they have here would be exhausted very quickly.

7632. I am sure you will not think I am in the least wishing to catch you by a phrase in the question I am going to put to you, but the difficulty you put before us now, viz., that no gold will go to India, is somewhat different from the statement that is given in the second last paragraph of this letter which is very influentially signed, and among the signatures to which I see the name of your firm?—At the time that letter was prepared it was supposed that a loan was going to be raised here. The Lindsay scheme was not gone into at all.

7633. No; but their apprehension is "lest a policy" should be adopted which would involve the raising "of sterling loans here of large and indefinite amount" for remittance in gold to India?—They did not go into the details at all. The idea when that letter was signed was just as it was in India when the question of bimetallism arose.

7634. Of course we recognise that that is not intended either in the Lindsay scheme or the Government of India scheme?—That was the idea when that letter was signed. I think when that letter was signed they were thinking more of Sir James Westland's scheme than the Lindsay scheme, and Sir James Westland proposes, you will remember, to raise loans of 20 millions and send the gold out and sell the silver. I do not think the signatories to that letter ever thought of the Lindsay scheme.

7635. I want to take it for the moment as much against Mr. Lindsay's scheme as possible?—I think this is Mr. Lindsay's scheme. Five millions or 10 millions to be raised in London, and deposited in the Bank of England or a Gold Standard Office, and against that you would sell rupee drafts at 1s. 4½d. from the Indian Gold Standard Office. I have read his statement over and over again. Mr. Lindsay's scheme is based on an idea which was proved to be a very fallacious one, that you could so manage the thing that you could continue to draw backwards and forwards without any great loss; it is what would be called in the City kite-flying.

7636. Some people have come here hostile to Mr. Lindsay's scheme, and have stated as an objection to it that the liability to send gold to India would not be limited to the five or ten millions first borrowed, but that it might go on to an indefinite amount, and in that way would do harm to the London market. It is not Mr. Lindsay's idea, but it is a criticism of Mr. Lindsay's scheme by some people who have come here to break it down, and I want to know what you think of that criticism?—I tried to study Mr. Lindsay's scheme, and I have read it over and over again, and I think the chief merit that he puts forward is this: He says capital would flow to India because people would know that they would always get their money home at 1s. 3¾d. Well, if Mr. Lindsay advertised that he was a seller of drafts at 1s. 3¾d., and that there were no commercial bills offering at that price, people would take their remittances under Mr. Lindsay's scheme.

7637. What would be the result of that?—The result would be that after the 5,000,000l. were exhausted, people would have to rely on the ordinary trade bills.

7638. Then you do think that the 5,000,000l. would be exhausted, and it would go to India?—I do not say that the money would go to India. The Indian Government would borrow a large amount of money here, say, 5,000,000l., and that would enable those who send out gold to India always to get remittances at 1s. 3¾d., and they would take advantage of it.

7639. Do you care to say whether any modification of Mr. Lindsay's scheme would get rid of your objection to it?—I said that Mr. Lindsay was the first person who recognised and recognised publicly, that the moment you close the mints, and you stop what I call free trade in currency—the automatic flow of currency to that country—Government has to do something; but as to saying that anything artificial of that kind is a permanent cure for the evil, I contend that it is not.

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7640. Do you think that if the operation was spread over a period of years, any detriment would ensue to the London money market and to London interests by the transference of 10, 12, or 15 millions of gold to India?—No, not in the slightest. Mr. Hambro will tell you that we sent 6,000,000*l.* of gold to the United States in six months, and no one knew anything about it.

7641. (*Sir F. Mowatt.*) Did I understand you to say, speaking of the importation of gold in these bars into India, that they in any way got into the currency?—I began by saying that I had not been to India myself, and so I do not know it, but I am told that these bars do represent currency to a certain extent. How far the silver bars represent currency, and how far they are turned into jewellery, I cannot tell you.

7642. The broad fact remains that since the closing of the mints, between 4,000,000*l.* and 5,000,000*l.* sterling worth of silver have gone every year to India?—The total consumption of silver by India and China and the Eastern States, since the closing of the mints, has been 75,000,000 ounces, if we take silver at 24*d.* the ounce.

7643. When you say that it is essential to the establishment of a gold standard that silver should be practically prohibited, that means that it would otherwise get into the currency?—Yes.

7644. And if, as we have been assured here by those who are best qualified to speak for India, silver does not get into the currency that would so far remove the objection, would it not?—Yes.

7645. I think you told us that the great element of failure in Mr. Lindsay's proposal was that it would practically cost the capitalist 2 per cent. to send out his money and get it back for a mere increase of interest for three or four months, but might not he think it worth his while to send his money out, not for three or four months, but for so many months that he might catch the two busy seasons at the rate of 10 or 12 per cent., and get 5 or 6 per cent. during the interval, and still only pay 2 per cent. for the entire period, which would apparently leave him a considerable profit?—Now you are entering into a very big question. I do not, myself, believe in the automatic flow of capital from one country to another in such a period as a year. I think you will find that capital leaves one country for another for a short period. When you talk of lending money for a year, I do not think it is the high rate of interest that tempts people. I think capital will flow to India for private enterprises if enterprises are presented to the investor and he thinks that he can make a permanent profit out of them. When you talk of coming to the relief of the money market, that will only be for a short period.

7646. But would not the instance I have put to you be very tempting to the investor. Take 12 months—during eight months of which he gets 12 per cent. interest, and during four months of which he gets 6 per cent.; that is as compared with 2½ per cent. in this country, and it only costing him 2 per cent. on the entire operation. Would not that be tempting to him?—I do not think so, considering the risk he would run.

7647. But there would be no risk?—It is not the risk of exchange merely, it is the risk of the security.

7648. Now you say that 2 per cent. is prohibitive, but it is not of the essence of Mr. Lindsay's scheme that the margin should be so wide as that. He suggests that sum, but supposing the margin were reduced to, say, 1 per cent.?—I do not know what the essence of Mr. Lindsay's scheme is, but I had a large number of criticisms of Mr. Lindsay's scheme sent to me from India, and they seemed to think that the margin was not sufficient. When I read that I was rather astonished.

7649. (*Sir J. Muir.*) You are aware, I have no doubt, that the merchants of India, both importers and exporters, are exceedingly irritated at present on account of the high rates that they have had to pay for money, 10 and 12 and 13 per cent. in the Presidency towns, Calcutta, Madras, and Bombay, and in

Bombay we had evidence that native merchants who hold Government paper went to the manager of the bank and pressed for money. They had been refused at 13 per cent., and they said, "Here is Government paper; we must have so many lakhs of rupees, for which we will pay you any rate of interest you choose to ask us up to 18 per cent.," and the answer was, "I would most willingly help you, but it is not in my power to do so." Now, suppose such a state of matters were brought about in the City of London, that is to say, that through what Mr. Raphael called the arbitrary and despotic action of the Government, London merchants had to pay anything like 12 per cent. for money, what would be the effect?—I do not know whether I understand your question correctly. You begin by stating that in Bombay and Calcutta and Madras it was impossible to get money on Government security under 15 or 18 per cent.

7650. Not even at 18 per cent.?—And that that, according to the native mind (and in natives I include Englishmen in India as well as native Indians proper), was owing to the despotic action of the Indian Government. I understand that you ask me my opinion upon that point.

7651. Yes?—The matter is rather complicated. If money were at 15 or 18 per cent. here the Bank of England would probably go to the Government and ask to be allowed to suspend its charter, and in that way they would make money easy. But the circumstance you have quoted is, I think, the strongest evidence that you could possibly have against the Lindsay scheme, because if Bombay had been in any other country, and money on rupee stock had been 15 or 18 per cent.—suppose it had been America as America was when they had a financial crisis, or suppose it had been Austria, the rupee stock would have been shipped to London, and they would have drawn against it, as the American shipped all kinds of securities here in one of their financial panics; they drew against it and gold was sent out. At the present moment there would have been no difficulty in doing that, because they could have got any money they liked on the rupee stock—40 or 50 per cent. of its value—and they would have relieved the market. The statement you make of the impossibility of finding money against rupee stock has always been in my mind the strongest argument against any scheme like that of Mr. Lindsay.

7652. Not only that, but we were informed that while this is the state of matters there are large amounts in rupees hoarded—laid up by the Government in the Treasury in Calcutta and elsewhere, and that the Government refused to let the rupees out?—I have always thought that the policy of promoting stringency of the money market in order to affect exchange was a wrong one. That is one of the great reasons why I think Sir James Westland's scheme perfectly impracticable, and why to a certain extent the Lindsay scheme would be so too, because you would have ultimately to melt down rupees.

7653. Then you disapprove of the policy of Sir James Westland and the Government of India in trying to force up the rate of exchange, and in so doing to force up the rate of interest upon all the merchants of India?—You ask me whether I disapprove of forcing up the rate of exchange by increasing the stringency of the money market. I certainly do disapprove of it.

7654. I may state that merchants all over India, both exporters and importers, are looking for even a worse state of matters in the coming busy export season. That being so you would more emphatically disapprove of any policy which would lead to such a result?—Certainly.

7655. I was very pleased indeed to have your emphatic opinion (because we have had different views stated by two or three witnesses) that you approve of the magnitude of exports from India being largely increased so as to make as big a balance as possible in favour of India?—Yes.

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7656. We had one or two witnesses who were more or less representing the Government of India, who would not assent to that principle, although it seems to me to lie at the foundation of all economy and business. I have nothing further to ask you.

7657. (*Sir D. Barbour.*) May I ask one question about Indian railways. I will not go into the matter at any length. Are you aware of any company which has made a railway in India under agreement with the Government, the shares of which are not now at a premium?—Certainly; I am aware of one.

7658. Which is that?—The line we made in Bengal; the Bengal Central, I think.

7659. That is quite opposed to my information. Do you mean to say that the shares of the Bengal Central are not now at a premium?—They are at a tremendous discount.

7660. My question is, do you know of any railway in India, made by an Indian company, the shares of which are not now at a premium?—I do not think that that is a fair way of putting it. The Bengal Central Railway shares are not at a premium because —

7661. At this moment?—The line was re-organised, and there was a great loss written off the share capital.

7662. But you cannot say that there is any company which has made a railway in India under agreement with the Government, the shares of which are not now at a premium?—I know that the Bengal Central was re-organised, and the loss was written off, but I forget now how that was done.

7663. My recollection is that the reorganisation took the form of a guarantee from the Government, and that at the present moment the shares of that railway are at a premium?—Yes.

7664. But can you say positively that a portion of that capital was written off?—Yes, a portion of the capital was written off. I remember perfectly that a large portion of it was written off. I cannot tell you exactly whether a portion of the capital was written off, or whether the Indian Government at the time said that they would not call up the capital, which would come to the same thing.

7665. When you come to read over your proof, perhaps you will insert in your answer what you find to be the actual facts of the case?—Very good.*

7666. Did you say that you thought that the closing of the mints had increased the tendency to hoard gold?—I think so, and silver too.

7667. I would like to keep to gold for the moment. If you look through the figures for the last 15 years you will not find any great increase, I think, in the net imports of gold?—Taking gold and silver together, I do not say that there has been a net increase, but there has been decidedly more hoarded.

7668. Do the figures show a marked tendency to the import of gold since the mints were closed?—I did not say there had been a large increase of imports.

7669. Has there been a large increase in the imports of silver?—You had 32 millions in 1890-91, and you have 44 millions now.

7670. And the year before?—The year before you had 25 millions.

7671. Do you find there has been, on the whole, a great increase?—I did not say a great increase, I said an increase.

7672. Has there been an increase?—Yes, there has been an increase.

7673. Now have you considered the fact that gold in India may be largely in the form of ornaments?—That I do not know; I have not been in India.

7674. If it were in the form of ornaments it would be less likely to be sent to the mints to be coined if there was a gold standard in India?—I could not tell you if it is to any extent in the form of ornaments or not. I know that they wear silver bangles, and they

could always take them to be coined when the mints were opened.

7675. When the gold is put into ornaments the workmanship is worth something, and that would be lost to them if they melted down the gold ornaments to make coins?—I do not know that it is put at all into the form of coins. I have been told that it is not.

7676. Now you said that these gold bars were kept as a reserve by the Indian bankers?—Yes, I have been told so.

7677. Do you mean that all the bars sent out have been kept as a reserve?—I cannot say.

7678. Would you expect them to go on taking bars year after year, simply to increase the reserve year after year?—Yes. Here in England nobody keeps any reserve of gold or silver. You carry on the largest business in the world with the smallest reserve of gold or silver. If you go to Brussels, or Frankfort, or Berlin at the present moment, you see in the streets some official in a cart drawn by a dog, taking gold and silver from one bank to another, or from one shop to another. You cannot compare any two countries.

7679. I have no doubt that gold bars are kept as a reserve to a certain extent, but is that within your own personal knowledge?—No, as I said, I have no knowledge of India myself.

7680. The bars that you send out are pure?—Perfectly pure.

7681. I do not know whether you are aware that the native of India prefers pure gold for ornaments?—I do not know that.

7682. (*Sir A. Dent.*) I want to ask you about the secrecy that you suggest is necessary to carry out successfully any gold operations in India. You tell us that an attempt to start a large bank in Brazil was a failure, and that an attempt to do something of the same sort in the United States in 1830 was also a failure?—Those two banks were failures—the United States bank failed afterwards—but I was speaking of regulating the exchange by drafts backwards and forwards.

7683. Then you would not advocate any large national bank being started in India?—There are two distinct questions. It may be necessary in the interests of India to have a bank like the Bank of England. That is for internal purposes. That I know nothing about. I am not an Indian authority. But what I say is that any bank which is started for regulating the exchange, drawing on London and being drawn against, would be a failure and would lead to disastrous results.

7684. Then you also, I think, suggested that it would be very difficult for the Government of India to attract gold to the country, unless they did it by some quiet process?—Naturally; anybody who has been in business knows that you can buy any quantity of gold or silver if you are a business man, and if the Government fails to do it they employ business people to do it for them.

7685. (*Mr. Holland.*) You tell us that under Mr. Lindsay's scheme no gold would go to India?—I do not think it would.

7686. Perhaps you would admit that a policy which would not take gold to India would be one which would have no terrors for Lombard Street?—Personally I do not dread the efflux of gold; I should not like to see the Indian Government, or any other Government, go to the Bank of England and taking out 5 or 6 millions; but you must remember that every week you have very nearly half a million of gold arriving from Africa and from other places besides, and that, if the Indian Government does not buy, somebody else does.

7687. You dislike the idea of melting down rupees in order to remove a supposed redundancy of currency?—Money is frightfully scarce there, and I do not know how you are to deal with the rupees when you have melted them down. You can sell them to China and other silver-using countries, but what is the good of that?

* [Note by witness:—I believe the Indian Government increased the amount of the guarantee. The fact that certain Indian securities have risen in value does not affect my argument that when Indian securities are offered to the public, there is little or no desire to meet the wishes of the public.]

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7688. Do you think it likely that there can be anything like redundancy whilst the money market is in such a state of stringency?—In any European country of course that would be impossible.

7689. You tell us that Sir James Westland's scheme, in your opinion, is impossible, and that Mr. Lindsay's scheme would not effect its object. Have you considered at all Mr. Probyn's scheme?—No, not at all.

7690. That involves a gold standard—not with a gold currency, but with gold bars?—I have not studied that.

7691. You tell us that you dislike very much artificial proposals in connexion with currency matters?—Yes.

7692. Do not you think that when the mints were closed in 1893 that was taking a long step towards artificiality?—No doubt it was, but the Indian Government had no other resource open to them. They could not put on taxes, and this was the smallest of evils open to them.

7693. You thought it was wise at the time?—I did not see what else they could do.

7694. But do you still think, in the light of subsequent experience, that it was a wise course for the Government to take?—I think if they had not fixed the limit of exchange at 1s. 4d., and had been prepared to come to the relief of the market when there was stringency, and had not tried to influence exchange by making money dear, it would have been wise.

7695. You admit, do you not, that in order to make a gold standard effective convertibility is essential?—Quite.

7696. Convertibility from gold into silver, and also from silver into gold?—Yes.

7697. You also know that the Government of India do not propose, at present, to have convertibility from silver into gold?—Yes.

7698. And that you consider a very radical defect in their proposals?—Yes.

7699. (*Mr. Campbell.*) You expressed the opinion that it might take 18 millions or 20 millions of gold to establish a gold currency?—Yes.

7700. Would you propose to acquire that by borrowing, or by the natural operations of trade?—The Indian Government would have to borrow 18 or 20 millions of gold in order to get their gold for their treasury, just the same as other Governments have had to borrow.

7701. But if they could get it by trade balances —?—They could not get it in any other way except by borrowing. They would require that in addition to the trade balances, because they would have 18 millions or 20 millions of gold notes out. I do not know the exact amount, but I take it at 20 millions.

7702. That would be if convertibility were declared right away?—I started on the assumption that the Indian Government had 20 millions of notes out, and that they would have to borrow a sufficient amount of gold so that the notes that they had out should always be convertible into gold. They would then use their silver for fractional currency, and the balance of trade would then supply India with the other amount which she would want if they adopted a gold standard. That is what I started with.

7703. Then you would not approve of deferring convertibility until gold had accumulated gradually?—I did not say that you would get the whole 20 millions in one year. You might get it in 18 months or two years, or three years; but when they had the gold for the notes that they had issued, the whole scheme would become effective. I know Sir Edgar Vincent thinks that you have only to declare that sovereigns are legal tender at a certain rate, and do nothing more. He says that is what he did in Egypt; but I do not think the two cases are at all analogous.

7704. You think it is most important in the interests of India that everything should be done to

increase the volume of her exports and the balance of trade?—Yes, you will have seen that in America. You cannot get over the fact that twice in ten years they had a financial crisis, and that the moment the exports became so great, gold went into the country, and not only gold, but they bought a great portion of their own securities back.

7705. You said you thought that it would be desirable to raise the ratio higher than 1s. 4d.?—I thought that if you could raise the ratio higher than 1s. 4d. the Indian Government would save money which would repay them, but I am not sufficiently acquainted with India to know if that is possible.

7706. Have you considered the effect that that might have on the export trade? A rise from 1s. 4d. to 1s. 6d., supposing the sterling price of produce remained unchanged, would mean a fall in the rupee price?—I know that is an argument which has been continually put forward, and I think if you look at the figures which the Indian Government gave you, you will find that the largest export of wheat was in 1893 when the rupee was at 1s. 6d.

7707. (*Sir. D. Barbour.*) It was in 1891, I think that the exchange was 1s. 6d.?—At any rate the largest export of wheat you ever had from India was when exchange was 1s. 6d.

7708. (*Mr. Campbell.*) Exchange, of course, is not the only factor in the business?—Oh, no.

7709. There is the question of seasons, crops, prices, and so on?—I mean I do not think you could argue on trade only; it depends on a great many other circumstances.

7710. Then you contemplate also that when the gold standard was established, gold might have to come home as well as to go out at a certain time?—Certainly.

7711. That would be acted upon by trade, in the same way that gold might go there to a large extent in one season and come away in another season?—I do not think you could have a gold standard and a gold currency unless you make up your mind that gold must go out sometimes.

7712. (*Mr. Hambro.*) Is it not the fact that dealers in money, or the people who move capital about from one spot to another, very rarely employ their money for more than three months at a time?—That is quite so. I have already said so.

7713. Your great idea is that the export trade is the great thing to be cultivated?—Yes.

7714. That would be most likely to increase, would it not, if more capital went into the country?—I do not know India. I do not think you can ask me a question of that kind when I do not know India at all.

7715. There is a great deal of uncultivated land there, is there not?—That I do not know.

7716. But I am stating that to you; there is a good deal of uncultivated land in India, and you have suggested that tobacco could be grown?—Yes.

7717. That would require capital in order to be grown to any extent; I mean if capital could go there to increase production that would be a good thing?—No doubt it would.

7718. Do you not think it would be most likely to go out if the rate of exchange was more stable, as it would be with a gold standard, for instance?—My personal idea is that capital will flow to any country if you can show a great profit for the capital. If you cannot show a profit the capital does not go.

7719. You do not think that the exchange being fairly permanent would be far more likely to take capital there?—As a matter of course, if you are going to have a state of affairs where the exchange is likely to continue falling on account of the depreciation of silver that will affect the country very adversely, but minor fluctuations would not affect the influx of capital if you were to show a large profit.

7720. Do you not think that everybody who has the moving about of capital would be much more likely to bring capital to India if he saw that there was actual gold in India than if he was only told that

he could buy bills on London?—I think that no bill scheme, if I may use the expression, like Mr. Lindsay's, will have any effect on people's minds.

7721. And confidence is the thing that you really want?—I do not think that any bill scheme would bring about confidence.

7722. And confidence is the thing that would take capital there?—Yes.

7723. Suppose you went on to a real gold currency, do you think it would be more easy for the internal arrangements of that currency to be properly looked after by a bank like the bank of England, or the Bank of France, or the Bank of Germany, rather than by the Government?—The internal arrangement of the currency is always better looked after by a bank than by a Government. The best proof you have of that is in the case of America, where the tendency arose twice to mix up the measure of the currency with the wants of the Treasury. The accounts were not kept sufficiently distinct. A bank would know that they were under the necessity of redeeming their notes in gold or silver, and they would keep the money market easy. In fact, a bank would never have allowed the stringency in the money market to arise as it did the other day in India, because they thought they could not convert their notes.

7724. I think America is a very good example, because although the law of America prescribes that one dollar shall be equal to another dollar, yet confidence has not always entirely been reposed on that statement?—I do not understand that question.

7725. In America the law states that one dollar shall be kept equal to another dollar; that the silver dollar shall be as good as the gold dollar?—I do not think anybody knows exactly what the American law does say. I do not think that the law is that the gold dollar is equal to the silver dollar.

7726. What I wanted to put was this, that as soon as the gold did disappear from the American Treasury, people lost to a certain extent their confidence in the power of America to maintain the par of exchange, and therefore visible gold is necessary?—The Government considered that they had sufficient gold to redeem their bank notes, and I can only suppose that they had to use that gold for Government purposes; but circumstances arose when there was no gold there and no notes, and therefore they had to make a loan.

7727. The moment the visible supply of gold disappeared the people lost confidence. You will not get confidence unless you have the gold there?—Certainly not.

(*Sir F. Mowatt.*) I should just like to understand that last answer. When you say unless you have gold there, do you distinguish between gold lodged in India and gold lodged in London?

(*Mr. Hambro.*) I distinguish between currency and standard.

7728. I do not know whether you thought that Customs duties ought to be payable in gold or not?—I did not go into that at all. I simply pointed out that at one time the Russian Government and the American Government did get a stock of gold by making their Customs duties payable in gold, but I personally did not advocate anything of that kind for India, because I do not pretend to know anything about it.

7729. (*Mr. Le Marchant.*) If such measures as you were describing for the introduction of a gold currency were adopted and it seemed likely that say, three years would be taken to establish the system, do you think that public confidence would be so far gained as to prevent stringency and very high discount rates in the interval? Do you think that capital would be attracted during that time into India so as to counteract the pressure for money?—You are raising a very big question there. You have had very great stringency in the money market in this country, and yet you cannot say that there is no confidence in the currency here. It is very difficult when you do not

know India, or when you have not all the facts before you, to distinguish exactly.

7730. There would be no necessary connexion between a rate of exchange of, say, 1s. 4d., and a high rate of discount?—I do not think so.

7731. If the gold standard and currency were established, do you think that would assist the construction of railways and the opening up of the country?—No, I do not say that the gold standard and gold currency would assist the construction of railways; but I think a gold standard and a gold currency would bring about what I call free trade in currency. As far as I understand the question, the natives (and in the word "native" I include real natives and the Europeans there) complain that the present arrangement brings about a false stringency in the money market which is injurious to India. I think that is the great complaint they have made, and they say that the dearness of money is destroying their trade. One of the chief objects that this Committee has is to find a remedy for that state of affairs. I say you cannot reopen the mints to the free coinage of silver; you are not prepared to go in for bimetallism, and therefore nothing remains for you in reality but to have a gold standard and a gold currency pure and simple. My opinion is that what is called a gold standard, regulated by bills, would not bring about an ease in the money market.

7732. Speaking generally, ease in the money market would contribute to the introduction of capital, would it not, and the general development of enterprise?—Certainly.

7733. And would that, in your opinion, lead to development of exports?—I have no doubt it would.

7734. Trade generally would follow that lead?—Yes.

7735. I think you were speaking of making the Government note issue convertible into gold; would you propose to limit the issue of notes, as the greenback issue, for instance, is limited by an Act?—What I understand to be the present position of India is this. The Indian Government has 20,000,000l. of notes in circulation; I should propose that there should be gold held in reserve against those notes, and that afterwards anybody who chose to send gold into the new Indian Bank or new Indian Treasury could get notes too.

7736. Under the existing regulations the public can claim that notes shall be issued to them against payment of rupees. So long as that option is open to them, would they not be able to convert rupees into gold without limit?—As a matter of course, if you introduce a gold standard and gold currency, you would have to stop that option.

7737. You would impose a limit in that way?—Yes.

7738. If such a bank as you alluded to were to be established, would it not be essential that it should have wide business relations with the country? If it were confined to a limited scope of operations, would it be in sufficient business touch with the community to exercise influence on currency and exchange?—I do not pretend to know sufficient of the circumstances of India to be able to say what would be necessary. All the European banks have a large business besides the currency, and I do not know how far that would be necessary in India. I have not sufficient knowledge of it to say.

7739. In the absence of extensive independent business relations, would it not partake of the nature of a Government office?—I am not sufficiently well acquainted with Indian circumstances to give an answer to that.

7740. (*Sir J. Muir.*) If I understand aright you stated that you approved of the closing of the mints, provided the Indian Government could not raise the necessary funds otherwise by increased taxation?—Yes.

7741. But if it could be proved that that was possible, then would that alter your opinion?—Well, I have always been told it is impossible.

*Right Hon.
Lord
Rothschild.*

25 July 1898.

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7742. A great many of the merchants of India think it is possible. Supposing they are right, would that alter your view?—That is not a point on which I would like to give an opinion. I have always heard

from high authorities that it is impossible, and I am obliged to believe them.

7743. (*Chairman.*) Is there anything that you would like to add that has not been asked you?—No.

The witness withdrew.

SIR FRANK FORBES ADAM, C.I.E., called and examined.

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Adam, C.I.E.

7744. (*Lord Balfour of Burleigh.*) You are, I understand, a partner in a firm doing a large business with India in exports from this country?—That is so.

7745. Those exports are mainly textile?—Yes.

7746. You were resident in India for 18 years from 1872, and have been resident in Manchester since that time?—Yes.

7747. You come to state your own opinions and those of the Manchester Chamber of Commerce, so far as they are in keeping with a resolution passed by the board of directors of the chamber on the 8th June 1898?—Yes.

7748. That resolution is this: "That it is neither possible nor expedient to establish a gold standard with a gold currency in India under the peculiar external financial relations and economic circumstances of the dependency. And that in the opinion of the chamber it would be well in the interests of India to adopt the principle that the mints should be reopened to the coinage of silver, the time and conditions to be hereafter determined"?—That is the resolution.

7749. And that is the expression of opinion of the Manchester Chamber of Commerce with which you associate yourself?—Yes.

7750. Now in the first instance were you opposed to the closing of the mints in 1893?—I gave evidence before Lord Herschell's Committee for the purpose of showing that, in my opinion, the necessity had not been proved.

7751. Were you, or were you not, opposed to the closing of the mints in 1893?—I was opposed.

7752. Would you give us your reasons?—My reasons at that time were, first, that the necessity for closing the mints had not been shown; secondly, that to close the mints to the free coinage of silver and not to introduce in its place a gold standard with an effective gold currency would prove a failure; that by divorcing the price of the rupee from the silver it contains, the export trade of India would be handicapped in the progress of years; although it might take some years to show it, in the progress of years it would certainly be handicapped in competition with other silver-using countries, which had the benefit of cheap silver. As far as I remember, those amongst others were the reasons that I gave to the Herschell Committee.

7753. Is there any other reason?—I am speaking from recollection, but I think I also pointed out that India had benefited, and had been more prosperous under a low rupee, and that if the mints were closed to the free coinage of silver, and the balance of trade did not turn sufficiently in favour of India to lead people to tender gold to the Treasury for which they were to receive 15 rupees per sovereign, in that case stringency of money would gradually arise, which would prove prejudicial to the export trade of India, upon which the Government of India would chiefly rely for maintaining a fixed par of exchange at 1s. 4d.

7754. Have the expectations of the Government of India, upon which they closed the mints, been realised?—I think the Government of India have been disappointed in their expectations. I understand that at the time of the closing of the mints in 1893, it was expected that the exchange value of the rupee would at once be raised to 1s. 4d. and remain there steadily; that gold would be tendered by the public in exchange for rupees at the rate of 15 to the sovereign, till in the currency reserve gold became substituted for rupees; that then, as more sovereigns were tendered to pay for a favourable balance of trade, Government would buy silver in the open market, coin rupees therewith,

and pay them out in exchange for sovereigns at the rate of 15 to 1. In this way autonomy was to be reached, stability won, and a regular supply of currency eventually secured. The result has been a disappointment. The rupee has not been raised to 1s. 4d. in the way anticipated, stability has not been won. No gold to speak of has been offered in exchange for rupees. But a contraction of the currency has created a gradually intensifying stringency in the Indian money markets that has caused widespread dissatisfaction and produced a condition of things that is pronounced in both European and native mercantile opinion to be intolerable and unbearable.

7755. As a matter of fact the rupee for a certain interval of time has been very near 1s. 4d.?—The rupee has touched 1s. 4d. lately, and again gone back; but I am speaking over five years, and for three of those years the rupee was very low. A year ago it commenced to advance, and six months ago it reached 1s. 4d., and rather over. Since then it has again declined.

7756. Do you think capital was being remitted home from India before 1893?—I think there always has been a certain amount of capital remitted home from India, and always will be, for the reason that a great number of men who go out in various capacities to India, either as Government servants or otherwise, invest their savings in India very often while they are there, but when they return to this country they prefer to bring with them what savings they have and invest them in securities that they can watch more easily than they could at so great a distance as in India. I think there may have been also, with regard to banking institutions and mercantile firms, a transfer of accounts. That is to say, that banks and merchants who may have held their money in India may have transferred it after the mints were closed.

7757. But my question was before 1893?—I do not think there was any great transference.

7758. Do you think it has been transferred since 1893?—Yes, in account. I should like to explain that if I may. Of course, if you have money in this country under closed mints on deposit, and you wish to transfer it to India, you must buy commodities if the rate of exchange is not at a price which would enable you to send gold and receive rupees from the currency reserve in India. If you buy commodities, and when they arrive in India you sell them and receive rupees already in circulation, you take those rupees either from a deposit already existing in a bank and transfer it into your name, or you take them from the open circulation, in which case you reduce the accommodation which may be required by the man to whom you pay them over in exchange for your produce, but you do not add in any way to the active and effective circulation.

7759. I need not ask you, I suppose, this question: You are not satisfied with the present state of affairs?—No, I think the present position of affairs is working towards a state of matters which will prove very serious to the prosperity of India.

7760. Are you able to say whether Indian discount rates have been higher since 1893 than they ever were before?—I think, undoubtedly, they have been very much higher during this last two years than they were for a long period before. I am speaking from recollection now, but it must be 20 years ago—I am sorry I cannot give you the year—when for a short time the rates were high, but I think myself that never before, at least, not in the memory of any of us, have the rates of money continued so high as they have been during the last six months, and for a part of

1897. I think on the average they were higher in 1896 than in 1894; higher in 1897 than in 1896, and higher up till now (the average I mean) in 1898 than in 1897.

7761. I suppose that you are familiar with the circumstances of 1889-90?—I was in India in 1889.

7762. The maximum rate in both those two years was very high in each case in the early spring?—Yes, for a month or two the rates were high.

7763. And again in 1894?—Yes, for short periods. I dare say you have already had evidence before you that in India we have an active export season, and a slack season, and for a certain number of months the value of money of course rises.

7764. I imagine the point you want to establish is that the closing of the mints has made the rates go up higher than they have ever gone before, and higher than they would have gone except for the closing of the mints?—I did not want to establish that they had gone up higher than they had ever gone before, though I think that is the case. What I wanted to establish was that the stringency had lasted very much longer than it ever did before, and that trade had suffered in consequence.

7765. And is it your position that that is entirely due to the action of the Government, or do you think there are any other circumstances which contributed to it?—My opinion is that practically it is the result of the closing of the mints to the free coinage of silver. My reason for saying that is this. So far as regards capital going for temporary purposes to India, that is, when rates are low here and high in India, I do not think that we have ever had any experience of that in India. They have been high for three months or more—very much higher than in London—and we have never had any experience of money being sent out for those three months, although under the exchange bank arrangements it was perfectly possible for anyone sending out money to arrange with a certain loss to cover the return of that money after it had been employed at a high rate for some months. It is proof to my mind that stringency has been caused partly by the closing of the mints, if not entirely, that while the tightness only lasted in previous years for a short time, in the last few years it has been very much prolonged and intensified.

7766. I understand from your paper, not only that you are dissatisfied with the present state of affairs, but that you dislike the proposals of the Indian Government to remedy that state of affairs?—Following on what I have already said, that the stringency is regarded generally in India as unbearable, if the Government of India for the purpose of removing what they call a redundancy of rupees desire to increase that stringency, I think it will be most disastrous to the trade of India. The proposals of the Government of India will, if given effect to, still further augment money stringency, embarrass and clog the wheels of trade, and thereby prejudice the favourable balance of trade that alone can enable Government to dispose of, annually, their Council bills at or near 1s. 4d. Secondly, they will fail to promote confidence or attract capital for the development of Indian industries. Thirdly, they will cause a loss in disposing of 10 or 20 crores of rupees as silver, that it is not possible approximately to estimate. And, fourthly, they will increase the difference between the value of the rupee and the value of the silver of which it is composed, thereby further affecting adversely India's competition with countries on a purely silver standard.

7767. Do you consider, in the interest of the trade of India, that a rupee falling in value and cheap silver with open mints would be an advantage to the country?—I think, during the 20 years from 1873 to 1893, when we had with fluctuations steadily falling silver and open mints and a falling exchange, India was exceedingly prosperous.

7768. What is the test of prosperity that you apply?—The exports and imports of the country doubled

nearly in those 20 years in value and more than doubled in quantity.

7769. In what respect do you think the trade of India, judged by exports in the first instance, has been prejudicially affected since 1893?—That question is a very difficult one to answer specifically. It is hardly susceptible of mathematical demonstration; but if my general principle is right, that exports from India are promoted by a plentiful supply of silver and a low exchange, as I believe they were promoted during these 20 years, then the converse holds true, that stoppage of coinage and a higher artificial exchange must have retarded exports.

7770. Is it a low price of silver or a falling price that you attach importance to?—I think the cheaper India can get her currency the better, and the worse for producers of silver in America and elsewhere; but also there is this disadvantage to India, that if the exchange value of the rupee is higher than the value of silver, then China and other Eastern countries get the benefit of the cheap silver in competition with India.

7771. How low would you like to see the rupee fall for the benefit of Indian trade?—If you were to say to me, "Would you be prepared to advocate the reopening of the mints if you knew that silver was going down to the equivalent of 6d."—

7772. You mean till that was the intrinsic value of the rupee?—Yes; I should of course have great hesitation in answering, not because I should be afraid of silver going down to 6d. over a great number of years, so long as silver remained the effective standard in India, but because any sudden fall, or a fall over two years, or even three years, would naturally, as India develops slowly, put the Government of India into very serious difficulties in raising revenue to meet their charges.

7773. But would you regard with equanimity a fall to 6d., or anything approaching a fall to 6d., over a long period of years?—I would not fear to face the risk of it if it were spread over a long series of years.

7774. Do you know, supposing such a thing were to happen, what amount of taxation would be involved to enable India to meet her liabilities?—I know it is enormous; but judging from the fact that India was able in the 20 years, from 1873 to 1893, without any great increase of taxation, to pay her way under very difficult circumstances—being in difficulties on a great many sides while exchange fell from 1s. 10d. to 1s. 2d., that is 8d.—I think over a long series of years the development of the country would again enable her by various methods, not chiefly by increased taxation, but by the gradual development of all sorts of revenue, to pay the large sums which she would have to pay if the exchange went down even to the neighbourhood of 6d.

7775. What is the remedy that you yourself would suggest?—I was not going to suggest any remedy, but may I say this: When you asked me whether I would fear a fall to 6d., my answer might have led you to suppose that I had some apprehension that such a heavy fall is within the bounds of probability, which I think it is not.

7776. I want to know, assuming, as I know you do, that the present state of matters is unsatisfactory, what is the course which you with your experience would like to suggest to the Indian Government?—Speaking to-day as representing the Manchester Chamber of Commerce, and the resolution which you have kindly allowed the Committee to have read to them, I would say that their policy, and what they think it would be best to do, is not to attempt to go any further with artificial experiments, but meantime to let things remain as they are. They believe that within a reasonable period an opportunity will arise, either by the price of silver rising in the market, or by exchange under the present régime falling, or partly by both, for the value of silver and the value of exchange to approximate.

7777. What you mean is that the exchange value of the rupee and the intrinsic value of the rupee might

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in the near future approach nearer one another?—Exactly; and they would then wish to see, and I agree with them, the mints reopened to the free coinage of silver.

7778. Do you think the prospects of the silver market and the silver production in the world hold out any hope of that consummation?—I think so. I think the prospects for the increased demands of silver, especially if India were to reopen the mints, are very great indeed.

7779. Do not let us confuse two things. I thought you said the exchange value and the intrinsic value of the rupee might approach nearer together. I think you must take it on that basis?—What I am going to say would still apply to your question. For instance take the case of China, which is gradually waking up from the sleep of centuries and is going evidently to be opened up in all its provinces by the rivalry of European powers very rapidly. I think China will absorb large quantities of silver; and there are other countries also. Already silver is going to Africa: that will be of course much more slowly, but I think we may expect a very considerable change in the course of, say, the next 15 or 20 years.

7780. Let us assume that this consummation does not come about, and the exchange value and the intrinsic value of the rupee do not begin to approximate, how long would you be prepared to wait under the existing state of affairs?—Personally, I believe India should as soon as possible get on to a sound basis and reopen the mints.

7781. When you say India should get on to a sound basis you mean India should reopen the mints?—Reopen the mints and return to what is commonly called the honest rupee. I should explain here that the Manchester Chamber of Commerce, who unanimously passed the resolution your lordship has read, are not of that opinion. They believe that, without fixing any time—it may be one year or two years—a better opportunity will arise for reopening the mints without the dislocation of trade that would occur if the mints were reopened at present, and they would rather wait for that opportunity than that the Government should go on with further experiments which they believe will only aggravate the present difficulty.

7782. In your paper you tell us also that you have studied the Lindsay scheme; you say it is ingenious and carefully thought out, and is preferable to the Government scheme, but you state that you have some objections to it?—The first objection is that it is wrong in principle, being an artificial scheme, and I do not think that anything artificial in the way of a currency scheme can stand the test of time. Secondly, it might break down in the time of stress or under the operation of a specific attack, and therefore it can never command confidence—confidence being essential to the success of any scheme. Thirdly, it provides for convertibility, but under the management of Government, and its so-called autonomy arrives only with success. Fourthly, the liability of Government under it is indefinite. Fifthly, it also contemplates a restriction and, under certain circumstances, the withdrawal of rupees from circulation. Sixthly, it proposes to keep a reserve of gold in London; that seems to me to be a confession that it is not a suitable currency for India.

7783. Almost everybody, as you heard me suggest to Lord Rothschild, tells us that for the active daily transactions of Indian life, gold is not a suitable currency?—It is not suitable.

7784. What are the precise risks of the scheme breaking down which you refer to in your second objection which you have just read to us?—I could imagine certain circumstances arising with regard to the balance of trade between India and this country, and with regard to the price of gold in India and the price of silver in India as commodities, which working together would create at 1s. 3½d. such a demand for bills to be paid out of the reserve with the Bank of England as would cause it rapidly, and almost immediately, to disappear.

7785. Where do you think it would go to?—What might happen would be this. The natives of India, who are always on the watch for a profit, and who understand the changes of the markets and the movement of the exchanges in a very remarkable way, would always be on the alert to find an opportunity when they could buy silver in England and sell it in the bazaars, and draw through the Government of India 1s. 3½d., receiving the money to pay for the silver in London.

7786. But it would not be silver, it would be rupees?—No; simply for the open market, for ornaments, and so on, not for currency purposes.

7787. I do not think Mr. Lindsay contemplates exchanging silver; it is rupees that he contemplates exchanging?—But you were asking me under what circumstances I thought that the reserve could be attacked.

7788. What I asked you was what are the precise risks of the scheme breaking down; in other words, what are the circumstances which would prevent the Indian Government being unable to discharge the specific obligation which it undertakes under Mr. Lindsay's scheme?—I quite understand your question, and what I wanted to show was one of the things that might happen; that although it has nothing to do with Mr. Lindsay's scheme, yet the natives of India seeing a large demand in the market for silver, would sell silver which they would buy in London, and they would pay for it in London by buying drafts on the reserve at the Bank of England, which is five millions to begin with, and that would cause that reserve rapidly to disappear.

7789. But the Indian gentleman you are referring to who would indulge in such a speculation would have to pay rupees in silver?—He pays rupees to the Government, and receives gold bills on London.

7790. How would it help him to do that?—He would make a profit on the silver as a mercantile transaction.

7791. Then if that possible danger is guarded against by, for example, a duty on silver, would you still say that there is a difficulty in that respect?—It is very difficult to know how a duty on silver would operate. India is a very large market for silver, and it is quite possible that not at first, but gradually, the price of silver in London might fall to the extent of the duty or the greater part of it; things might equalise themselves in that way. If the Indian demand were entirely withdrawn by a duty which was intended to be prohibitive, and which actually was prohibitive, I think it is likely that silver might fall to a point which might make it quite unsuitable for currency purposes. But I doubt if this is possible. If the duty were not effectively prohibitive, silver would continue to be imported.

7792. Are there any other circumstances under which you think the Indian Government might be unable to fulfil its obligations?—They might treat gold in exactly the same way. There is a demand for gold entirely outside any purposes which we have in contemplation now—simply as a commodity used for ornaments and for the settlement of speculative transactions in gold, such as the bars which you have seen to-day.

7793. Will you just tell us what would be the operation of that?—Precisely the same as what I have been describing with regard to silver. They would buy the gold in London, pay for it with gold bills on the Treasury reserve in London, and sell it for rupees in the open market in India.

7794. What would they have given for these gold bills?—They would have to pay rupees, of course. They would receive gold bills from the Government, and they would pay into the Indian Treasury rupees, and they would draw away the gold from the reserve in London.

7795. What makes you think that they would go on, to any large extent, paying for their gold bills in rupees?—It is impossible to say to what extent it would go. I am only indicating, in answer to your

question, the different ways in which it might be possible to attack the reserve.

7796. But in addition to the theoretical objection as to the scheme breaking down, I wanted to know what you put before us as to the practical difficulty in the way of the scheme?—I have gone into the scheme thoroughly, and I know what labour and pains have been taken to produce it; but I must confess that I fail to see any promise of lastingness in it.

7797. Have you, or have you not, formed any idea of what number of rupees would be sacrificed by those who possess them in India for the purpose of getting gold?—You have had figures before you showing the very large constant demand for gold for India for other than currency purposes. Where that gold goes to is a question that has always been open to considerable difference of opinion.

7798. Granting the demand, do you contend that the Lindsay scheme would supply gold to the native of India cheaper than he can get it in any other way?—I can imagine, at some times of the year, circumstances arising in connexion with trade movements which would lead to the native of India being able to use the facility offered by Government for drawing gold bills on London to an extent that it is quite impossible to estimate; it might be very large indeed.

7799. Could you not make that a little more definite? Just tell us the precise dangers and circumstances to which you allude?—I have answered your question with regard to the definiteness of it both in regard to silver and gold.

7800. But in answer to me just now you said that you could imagine circumstances under which the native of India would be induced to use the Lindsay scheme for getting this gold. I want to know whether you can tell me any more definitely what those circumstances would be?—What I had in my mind was when the actual balance of trade was not in favour of India. Say in the dull seasons, when exports might be slack and imports fairly active, exchange would tend towards 1s. 3½d. till it arrives at 1s. 3¼d., when it might become a better rate than the native could get in the open market.

7801. Then is it Mr. Lindsay's scheme, root and branch, that you object to, or to the precise figure of 1s. 3¼d.?—I do not think myself that any rate you could name would give it that element of assured success that any scheme, to work permanently, must possess. My opinion is that the scheme, as presented to us, is such that there is a possibility of failure, and that that possibility of itself would lead to a want of confidence, and that want of confidence alone would put in operation all the adverse factors, and would lead to a break-down, sooner or later, no matter whether it was fixed at 1s. 3¼d. or at 1s. 3d. or any other approximate rate.

7802. As far as I understand, you do not yourself advocate the reopening of the mints. I mean in the circumstances in which we now stand?—Are you asking my personal opinion, or are you asking me as representing the Manchester Chamber of Commerce?

7803. I want your opinion?—My own opinion is this, that we will never have a sound currency in India till either the mints are opened or we are on a gold standard with a gold currency; that a gold standard and a gold currency are not suited for the needs and circumstances of India, and therefore that the sooner we get back to open mints and the free coinage of silver the better. But I am bound to admit that if you did it at once or suddenly it would cause dislocation, and for years the Government of India would be sore set to find an equilibrium for their Budgets. Still, so strongly do I feel the importance of getting back to a sound principle with regard to currency, that I personally would be prepared to face that. But I want to be allowed to emphasise the fact that I am expressing my own opinion. The opinion of the Manchester Chamber of Commerce is that the cons outweigh the pros in that respect, and they advocate a temporizing policy.

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7804. Have I missed any point in your paper that you would like to lay stress upon?—I have considered what I understand has been a point of some controversy in regard to the importance of a fixed rupee in contra-distinction to a fluctuating rupee. My experience has been that, so far as regards foreign trade, although a fluctuating rupee —

7805. Do you mean a fluctuating rupee or a fluctuating exchange?—A fluctuating exchange value of the rupee. Although it is exceedingly inconvenient, it has not diminished, over the average of years, the foreign trade of India. We are accustomed to fluctuations in the prices of cotton, cloth, and freights, and all the factors that go to make up a price fluctuate. Exchange since 1873 has fluctuated much more than it did before; and those actively engaged in business have had to take that into consideration, and it has been an inconvenience—nothing more. That is a point I should like to put before the Committee. Of course, if they got a stable rupee it would be more comfortable no doubt, but I think it might be bought too dearly.

7806. Is there any other point you wish to emphasise?—I wish also to refer to the fact of the low rupee having been a benefit to India from the producing point of view. That is also a point which is greatly controverted. You very often see it stated that exchange means nothing, that it is only a medium; and that if in India exchange falls, the producer cannot possibly be benefited: at whose expense, it is asked, is he benefited? I think that all men who are engaged in the foreign trade of India have found that while the rupee was falling, and prices in gold were falling, producers in this country, and in gold-standard countries, were suffering to such an extent that the landlords had to reduce their rents 40 and 50 per cent., yet, owing to the price of silver falling simultaneously—silver remaining a stable standard in India—and owing to the greater number of rupees that producers therefore received in India they did not suffer during the fall of gold prices; they were prosperous.

7807. Is it your opinion that the number of rupees that the actual wage-earner receives increased, or was it the middleman—the trader—that got the benefit?—I think, if you call the merchant a middleman, he gets no benefit, because he has simply, at a higher or lower rupee, to conduct his business on the factors of prices as they exist, and he has exchange as one of the factors in making his calculations, and the competition and higgling of the market forces him to conduct his business regularly on very small profits. When you come to the middleman in India, the man between the cultivator and the European shipper at the ports, you find his business is conducted in precisely the same way; a low or a high rupee is a very small matter to him unless he is a speculator. I am speaking of the way in which merchants legitimately conduct a mercantile business. I maintain that the money does go into the hands of the cultivator. If you take the ordinary wage-earner—I have no doubt there are gentlemen round this table who will correct me if I am wrong—I remember going into this in India, and I came to the conclusion that among the cultivating classes—and you know that out of the 300,000,000 of the population of India, 60 or 70 per cent. are more or less connected with the soil—of these 70 per cent. one-fourth only are wage-earners in the true sense of the term, and the other three-fourths are actual cultivators of the soil. The cultivators themselves receive the increase and are able to extend their cultivation, and to buy more Manchester goods. The wage earners benefit very slowly, if at all.

7808. Is there any other point that you wish to emphasise?—There is the third point which I make in regard to India being a country that is absolutely dependent upon her exports and the extension of her exports and the success of her exports for paying her way.

7809. But does India differ from any other country in that respect?—I hope not; but in this controversy

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occasionally I have seen it stated that too much was made of the exports, and the Government of India appear to be of that way of thinking.

7810. Is there any other point you would like to emphasise?—I regarded the closing of the mints in 1893 as a mistake at the time. The necessity was not proved. India was, and had been, prosperous. The foreign trade had year by year increased. Industrial enterprise, largely based on capital supplied by England, had extended. Internal resources had developed. Taxation had only been slightly added to. Loans for other than reproductive works had been comparatively small. Yet Government—notwithstanding famine, war, annexation of Upper Burma and its settlement, coast defences, new arms of precision, frontier and famine railways, and much unusual and, so to speak, non-recurrent unproductive expenditure—had paid its way, while the exchange value of the rupee was falling from 1s. 10½d. to 1s. 2d. Government might safely have braved a further fall. I admit the great apparent direct loss to Government, and the difficulty and perplexity that must have worried finance Ministers in fashioning their Budgets. But these are not unmixed evils, they generate care and economy and a watchfulness over expenditure which, when it is not for reproductive works, cannot be too closely scrutinised. And weighed against the general welfare of the country they are nothing. It is probable that silver, if the mints had not been closed, would not have fallen so low in price, measured in gold, as it has done. But no doubt great economy in expenditure and some additional taxation would have been necessary. Fresh taxation is, and always has been, a difficult and anxious question, but never fraught with the danger some would have us believe. If judiciously done, and all religious prejudices and social customs kept in mind, there is still room. Dissatisfaction and widespread discontent are much more likely to arise from contraction of currency and a strangled trade and from silver bullion held in India not being mintable, than from carefully thought-out methods of raising revenue by fresh taxation. To reopen mints suddenly would cause, under present conditions, great temporary dislocation of trade. My own opinion is that it would be better to face this—short and sharp it would be—and get back to sound principles and an honest rupee by the quickest and directest route. But this is not generally held. It is thought by a temporary policy (no further experiments) an opportunity may come when, by a rise in silver, or a fall in exchange, or by both, a more favourable chance may before very long present itself for reopening the mints to the free coinage of silver without any material upsetting. The prospects of silver point to early extended use in Asia and Africa, and an improvement—slow, perhaps, and very gradual, but sure—in value. And were India to show she had not lost faith in its use as a standard, an example might be set that others would follow. For the present a level in price has been touched that indicates the worst that open mints would have to meet at the start. The only other sound alternative—a gold standard backed by gold—is too costly a remedy. Gold is not suited to the wants of the country, and it could not be forced on the people. It would also not remove the advantage in competition of silver standard countries which India's producers regard as a standing menace.

7811. (Mr. Campbell.) You say that the Manchester Chamber of Commerce is in favour of allowing things to remain as they are at present?—Yes, in preference to taking any other course.

7812. Is that because they think that the present scheme of closing the mints has not had a sufficient trial?—No, it is not for that reason; it is for this reason, that the proposals of the Government of India, in their view, seem calculated to make the position worse than at present, and therefore they would not like anything more done in that direction. But at the same time as they are not in favour of opening at once the mints to silver, knowing as they do that

if the mints were opened immediately and suddenly there would be a dislocation of trade and inconvenience for some time to the Government, they think it best to remain as we are, and to temporise in the hope that a more favourable opportunity will occur at a future period for reopening the mints.

7813. Of course you are aware that during the last two seasons money has been extremely stringent in India?—Yes.

7814. It is apprehended that next cold weather we shall have a recurrence of that stringency?—I have heard that, and I share the apprehension.

7815. Now, has the Manchester Chamber of Commerce had any method under consideration for meeting that point?—None.

7816. According to them the market must simply fight through it?—The only proposal that I have heard—not from the Manchester Chamber—is that in the meantime the Government of India should buy silver and coin rupees and issue them, taking the profit, but of course it would be useless to put that forward, because it would be directly opposed to the policy of the Government of India, which is to further contract the currency.

7817. But do you not think, apart from that, that there are strong objections to allowing the Government to make a profit out of what you may call coining a dishonest rupee?—I myself think it an unsound policy and objectionable.

7818. Your own idea is to re-open the mints at once?—Yes.

7819. That would of course involve a tremendous dislocation of trade, and a very great fall in exchange?—It would.

7820. Have you any idea to what extent exchange might fall?—I should say that, seeing that when the mints were closed the immediate effect it had was to drive down silver to a much lower point than it had been at before, the immediate effect of reopening would be to raise silver to a certain point, and I think—it is absolutely impossible to speak with any certainty as to what that point might be—but I should anticipate that it would be something over 30d.

7821. That would mean a fall of exchange to somewhere about 11d. or 1s. ?—Yes.

7822. Have you yourself any mode by which you would break that fall so as to obviate the inconvenience of such a dislocation of trade?—I cannot say that personally I have any mode, but I know that there are members of the Manchester Chamber of Commerce who think it might be broken by approaching it gradually, that is to say, by beginning under the present Government plan with a low exchange, something like 1s. 3d. or 1s. 2d., or something near it—I think different figures have been mentioned—and waiting for the next step till later.

7823. Perhaps by offering 16 rupees to the sovereign instead of 15 ?—Yes.

7824. Or 17 ?—Yes.

7825. That would mitigate the disturbance?—Yes, to some extent.

7826. You were asked with regard to Mr. Lindsay's scheme and the points in which it might possibly break down. Suppose that the balance of trade in India's favour were from any cause to diminish very greatly, the tendency of that would of course be to lower exchange. Suppose exchange tended to go below 1s. 3½d., which Mr. Lindsay puts as his minimum point, might not the Government be forced, instead of selling Council bills below that rate, to go to the Department and take their remittances in that form?—It might be so, but I understood in reading Mr. Lindsay's scheme, that his suggestion is that under no circumstances shall Government stop the sale of Council bills in the ordinary way.

7827. I do not think he went so far as that. One of his points is that he would allow them to go to the Department so as to avoid the inconsistency of Government selling at one price and buying at another?—Then under those circumstances they would certainly be forced to call on the reserve.

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7828. And would not that lead to a very serious danger of the scheme breaking down?—That is exactly one of the points that I had in view when Lord Balfour was examining me—that under those circumstances the scheme would probably break down.

7829. I did not think that point was clearly brought out?—It was not clearly brought out, but I had it in my mind when I was endeavouring to answer Lord Balfour's questions.

7830. I think you said your opinion was that a high or a low exchange has a very important influence on trade balances?—Undoubtedly.

7831. And that if Government, in the adoption of whatever scheme they might adopt, fixed upon too high a rate it might injure the export trade?—I think so.

7832. You also consider that the advantage of the fall of exchange goes to the cultivator?—I think the greater part of the advantage of the fall of exchange goes to the cultivator.

7833. We have heard that a fall of exchange is always followed by a fall in the sterling price of produce. Do you agree with that?—That has certainly not been my experience. It is impossible to prove that by statistics. Statistics do not tell you the circumstances that fashioned them; they only tell you in figures what has happened, but I have known gold prices rising, and exchange falling, of a certain commodity, and gold prices of commodities not produced in silver countries have fallen equally with these produced.

7834. Would you say, in all probability, the effect is divided between the two?—I should say that there has been an influence—that it has had some effect over a series of years, but I would not divide it; perhaps you might say 75 to 25, or in that proportion.

7835. That is to say, that the cultivator gets 75 and the sterling buyer would get 25?—That is my view of it, as closely as possible.

7836. (*Mr. Hambro.*) I did not quite appreciate one of your criticisms of Mr. Lindsay's scheme. You know at present India imports bullion to the extent of the bullion which goes into hoard, and I understand you think that a large further quantity would go into hoard, because they would be buying from the Exchange Department bills on London, and so would bring in gold?—No, I cannot have expressed myself quite clearly on that point. We know, of course, that gold is being continually imported, and it either goes into hoards or into ornaments, or disappears in some shape or form, but what I had in my mind was this: Supposing you had a balance of trade in any year, which was not much in favour of India, and simultaneously with that there occurred in India a large demand for gold for hoarding or other purposes, that would increase the run on this reserve through the gold bills issued by the Issue Department, and would, therefore, lead quickly to what Mr. Lindsay himself calls the point of apprehension.

7837. It could not get beyond the amount of the coin that was floating in money, or money would get light?—That is so, but when you are paying gold and receiving rupees, I do not think there are any means of measuring amounts.

7838. Have you any calculation as to how many rupees you could get out of circulation as money got tight?—I do not think anybody can express an opinion as to the number of rupees in India that are now hoarded, and it would be impossible to say to what extent they would come out under certain temptations, both from India and from places beyond our frontier.

7839. Still, if the people there supplied their hoarding instincts in that way, the balance of trade would probably right itself in time, and then exchange would go up again to a point that would bring in bullion if they did not want any more for hoarding?—Quite so, but what I was trying to work out was this, that if people once started an attack which would tend to break down confidence, it would be very

difficult to reinstate that confidence, even though the operation might be possible eventually.

7840. You mean confidence on the part of the people?—Without public confidence I do not think it is possible to run successfully any artificial system and hardly with it in India.

7841. You said that a low rate would increase exports. Did you mean by that a falling rate, or a rate that had got low, and was fixed low? Suppose you take the rupee as a token currency, as I suppose if it goes on a gold basis it would become?—Would it?

7842. If you changed your basis to gold, and made gold your standard, I suppose the rupee would become a token coin?—If you made a gold standard, and the rupee became token, you would at once rob India of the advantage she has got from the silver basis.

7843. If we go on a gold basis the rupee becomes a token?—Certainly, if you have a gold currency.

7844. (*Mr. Le Marchant.*) What do you consider was the chief cause which has deterred the public from tendering gold and asking for additional currency recently?—Under the system, of course, exchange really never arrived at the point at which it would pay anyone to send out gold and tender it in exchange for rupees at the Treasury or the Treasury reserve.

7845. Do you think the high rate of interest and the absence of loanable capital was owing to an apprehension that exchange rates would fall as the year went on?—I do not think so. I do not think very much of that question of the absence of loanable capital. I have always divided loanable capital in India into loanable capital which is regularly employed by bankers and merchants in moving backwards and forwards the foreign trade of India, and loanable capital, if it may be called loanable capital, which goes out to India for permanent investment. If you offer an attractive form of permanent investment yielding a high rate of profit, no account is taken at all of the fluctuations of exchange. Thirdly, there is rupee capital in India in the hands of the natives which is used for conducting internal trade. I do not think any of these sources were affected by exchange fears.

7846. How would rates be so high unless there was a relative scarcity of loanable capital?—There is a relative scarcity of currency. The mints were closed five years ago. Immediately after they were closed two millions of silver which had been previously bought by the banks was allowed to be coined. Two millions were liberated by the Government of India, who decided to keep Government paper to that additional amount instead of silver against their note issue. Then a large number of rupees came out from hoards and were exchanged for bar silver. Natives bought bar silver at a low price, and they took the rupees out of hoard and put them into circulation. From these causes the extreme stringency took some years to make itself felt; but I think the stringency has lately been felt, and if things are left as they are it will become increasingly felt. Illicit coinage has—to the extent it exists—been a mitigation.

7847. Why did not the high rate of discount attract more demand for rupee exchange on India for the purpose of using the currency so obtained? Presumably it would have been a paying transaction to send money out in the usual manner of buying exchange and employing the proceeds?—As far as my experience of Indian trade is concerned, and that is spread over 25 or 26 years, under no conditions and no circumstances have I ever known money sent out temporarily for the purpose of getting a high rate of interest for a few months.

7848. Do you think that that may have been due in the past to apprehension as to a subsequent fall of exchange?—I have no doubt it has had some influence, but I do not think it has been a chief or an important influence.

7849. It has been commonly said, has it not, that the exchange banks withdrew a good deal of capital some years ago from India, and preferred to keep it

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on this side?—That is so. I speak in the presence of a gentleman connected with exchange banking; I am not a director of any exchange bank, but I think that that is so, that they took capital which they held in India and transferred it and kept it in London; but it still remained employed in conducting the foreign trade of the country, whether it was in London or in India.

7850. But only if there was a demand for remittances to India?—Or if there was a demand for moving produce in India; they could draw upon their reserves in London at any time, they could use it in moving the foreign trade, whether the capital was resting in London or resting in India; it was always moving backwards and forwards.

7851. If, on the other hand, rupees are required for moving produce in India, would it not be necessary for banks to send back their capital in some form, in order to get the rupees? Would they not have to part with sterling for a time so as to acquire rupees?—I understand your questions are pointing to this, that in removing their capital from India to England it acted as one of the factors in bringing about stringency.

7852. It was one of the circumstances that pointed in that direction?—I have thought over that, and the opinion that I have arrived at is this, that under a closed mint if a bank had capital which it was employing in India, and wished to transfer to London, it had to buy produce, and it paid out rupees for the produce, and they went into circulation, so that there were no fewer rupees; and as the produce came home they realised it for gold. It was only a transfer account on the part of the bank; it did not lessen the number of rupees under closed mints that were in circulation.

7853. But would not the bank be parting with that amount of currency, and so be in a less favourable position for making advances or discounts?—Not necessarily, because a man who received the bank's rupees might bring them back and deposit them again in the bank.

7854. Would not transactions of that kind tend to weaken the power of the bank for making advances in India?—No, so long as the currency was there and effective, I do not think it would weaken the power of the bank.

7855. Would not the disturbance of the balances of London banks tend to weaken their power of making advances?—It would depend on several factors. If it was for the mere convenience of the banks, I do not think it would have any effect. If the movements caused distrust, that would be another question altogether; but if it is only a matter of banking convenience, which the bank settles itself and nobody knows about outside, I do not see that there need be any disturbance.

7856. Would not the withdrawal of balances from banks in India mean that rupees would pass into circulation generally, and to that extent would pass out of the command of the bank?—It does not follow that they would pass out of the command of the bank. The people who took them from a deposit would pay them away, and the people who got them might bring them in again. Of course, although the rupees are there, if they do not deposit them, the bank has not the use of them, but on the other hand, those outside possessing them may want a smaller amount of accommodation that they might otherwise require to go to the bank for.

7857. On the other hand the bank would be in a weaker position for giving accommodation?—If what I say is correct there would be the less call for accommodation.

7858. But are not rupees the most efficacious when they are in the hands of the banks?—I admit that, of course.

7859. Now, if the policy which I understood you to suggest were adopted, and steps were taken towards gradually opening the mints, what would occur in the intermediate period? Would there not be an

expectation of a lower rate of exchange in the future?—It would depend very much on the way in which it was done. Of course if there were an attempt made gradually to reduce the rate, leaving it vague and indefinite as to what time certain steps should be taken, I have no doubt there would be great speculation and uncertainty and unsettlement; but if the rate which it was proposed to adopt were stated, and were made a fixed rate for a certain term of years before any further steps were to be taken, I think the difficulty might be mitigated. But if that point were left vague, I think it would be unfortunate. It is this possibility of uncertainty, unless it is very judiciously done, that leads me to suggest, as my own personal view, that it might be well to go the whole extent at once without any gradations, but I think it might be done so as to minimise the danger of the new lower rate proving ineffectual and unstable.

7860. Though a materially lower rate of exchange might be expected?—Yes. That is possible.

7861. You were speaking of the development of the foreign trade of India from a certain period?—From 1873, which was a period practically of a rapidly falling rate of exchange under open mints.

7862. Do you think the opening of the Suez Canal contributed at all to promote that?—Of course there were many contributories. I may anticipate a further question upon the same point, by saying that railway development of course contributed, and so did the opening of the Suez Canal, and so did many other things; but my view is that you might have had your railways, and your Suez Canal, and so on, and you would have had nothing like the same result if it had not been for the benefit that India received from cheap silver while gold prices were falling.

7863. Was there not an increase of taxation in the same period concurrently with the fall in silver?—I have looked that up, and I had great difficulty in getting at the exact figures from the public returns; but speaking from memory there were both taxes taken off and taxes put on; for instance, the import duties were taken off, first partly and then entirely, and on the other hand the salt tax was increased a little—not much. Generally I consider that the increase of taxation on balance was small.

7864. With regard to the effect of a rate of exchange; do you think that a rate of, say, for instance, 1s. 4d., would lead to a permanently greater amount of imports than a lower rate? I am not speaking of the immediate effect but the permanent effect?—Oh, no; I dispute that most undoubtedly.

7865. I mean imports into India?—The whole groundwork of my position is that the development of imports entirely depends upon the development of exports, and if I am right in my contention that a low rupee and a low exchange have promoted and developed exports, then of course it follows that imports have also by a low rupee been increased. But if you ask me whether a rise of exchange would temporarily promote imports, it would do so, but at the permanent expense I believe of India's foreign trade.

7866. You mean the effect would be to temporarily check the exports?—To check exports and to stimulate imports.

7867. And the stimulus to imports, you think, would be only temporary, whereas the check to exports would be permanent?—There you open up a difficult question, for this reason: You must still keep before you what is thought a most important factor in this involved question, and that is that you have before you the possibility of great development in silver-using countries; and the higher you artificially raise your exchange—I do not say at once, or this year, or next year, but over a series of years—the more advantage you give to those other silver-using countries in competition with India.

7868. Do you think the development of China will be rapid?—I think, from the signs that we now see, that it is going to be rapid. Of course, we know that China is a marvellous country. It has a

most industrious population and splendid resources, and I think that in the course of the next 10 years China will develop more than she has done in the last 200 years—or 800 years for the matter of that.

7869. Have you anything to say about wages in China?—I think in China, as in India, wages move very slowly. The first effect of any development is of course on the price the landlord gets for his produce, and the effect of any great stimulus of production takes a long time to make itself felt by the class you call the wage-earning class.

7870. (*Chairman.*) You say you consider that the present currency in India is not an honest rupee?—That is so.

7871. And that there cannot be an honest system of currency if it is an artificial system?—That is so.

7872. Are you aware that, of the silver currency circulating in the world at the present time, which is estimated at something like 400,000,000*l.*, upwards of three-fourths is token currency with an artificial gold value?—I am aware of that.

7873. Does not that qualify your opinion?—Not as regards India.

7874. I was on the abstract question. Is a token currency which has an artificial gold value a dishonest currency?—No; no more than I call our shilling a dishonest shilling.

7875. (*Mr. Hambro*) It is exchangeable?—If the question of exchange is eliminated altogether, and a currency is maintained at a given value by the credit of the Government, it may be unsound, but it is certainly not dishonest.

7876. (*Sir J. Muir.*) You can only discharge debts by silver up to 2*l.* in this country?—Certainly.

7877. (*Chairman.*) Of course a shilling in this country is not worth 6*d.*, but for all practical purposes it is worth the twentieth part of a pound. That is an artificial value?—It is an artificial value maintained by the credit of the Government.

7878. (*Sir J. Muir.*) But it is only legal tender up to 2*l.*?—That is so.

7879. (*Chairman.*) You said that the landlords of this country had had to reduce their rents by 40 or 50 per cent. owing to the currency depreciation?—No, owing to the fall in gold prices.

7880. Do you think that that was the cause?—I think so.

7881. You do not think that free trade had any effect upon it?—I think free trade had an effect in giving England the full benefit of low gold prices.

7882. And you consider that the great depreciation in the value of land in this country arises from the fall in gold prices?—Yes. May I just add this? I think the fall in gold prices has been brought about by the extension of production all over the world, and cheapening of methods of production and means of communication, and of course England has naturally got the advantage of that under her free trade policy.

7883. (*Mr. Holland.*) You are interested, I think, in imports into India. We have had the advantage of a good many witnesses here who are interested in exports from India, and their position is quite intelligible. They say that low exchange encourages exports, but you have explained that the same movement of exchange, which encourages exports, discourages imports, and notwithstanding that, you think that ultimately it would be an advantage to your Indian imports rather than a disadvantage?—That is my view.

7884. You think it is a good policy to encourage exports?—No doubt.

7885. We have had it in evidence from a previous witness that Council bills themselves create exports. Do you agree in that view?—No, I cannot imagine it. I have heard of a hen laying an egg, but I never heard of an egg laying a hen.

7886. You do not agree that a Council bill is virtually an order to export?—No.

7887. You referred, I understood, with approval to the time when exchange was lower, and still

falling; but was not there a good deal of dissatisfaction in Manchester at that time?—You are referring probably to the time when the controversy in Manchester was raging round the English question of currency. There is no doubt that there was one party to that controversy who did use that argument—the falling and fluctuating of exchange as lessening and making more difficult the conduct of trade with India; but, personally, I and those associated with me used the very same argument that I am using now to oppose that reasoning.

7888. Then, although there was dissatisfaction in Lancashire, it was not universal?—By no means.

7889. Is opinion in Manchester divided now at all upon this subject?—Apparently not, if we may judge from the resolution which you heard read.

7890. Now is it the fact that the Indian Government are really themselves very large landowners?—Very large landowners.

7891. And to that extent their interests are probably identical with the interests of the Indian producers?—That is the view that I hold.

7892. It is contended by some, and probably you will agree with it, that a policy which is in the interests of the producer in India cannot be contrary to the true interests of the Government of India. Do you agree with that?—That is the view I have always taken.

7893. Of course you are aware that a gap in Indian finance would be created by a fall of exchange. I understand that you propose to fill that gap by an increase of taxation?—If it be necessary.

7894. Do you think cotton would stand a chance of escaping if there were any increase of taxation?—That is a matter for the decision of the Government of India. You are now asking me a question my reply to which will be watched very closely in Lancashire. You know there was a very great commotion in Manchester over the re-imposition of the import duties. That arose I think, mainly, if not altogether, from the fact that Manchester had not realised that it is possible to put on import duties without interfering with free trade, to which they are intensely devoted; but now I think they know better, and see that if by excise duties protection is eliminated, and duties imposed for revenue purposes only, all interference with free trade principles is removed.

7895. Do you put that forward as the opinion of the Manchester Chamber of Commerce?—I do not say that there would not be objections, but I do not think you would have such hot objections expressed as upon the occasion which is no doubt within your own memory.

7896. The resolution of the Manchester Chamber of Commerce seems to imply objection to a gold standard with a gold currency. Would the Manchester Chamber equally object to a gold standard without a gold currency?—I think the opinion of the Manchester Chamber of Commerce is that the thing is impossible.

7897. Theoretically I suppose you are in favour of a gold standard, but you maintain that there are insuperable difficulties in the way of carrying it out?—I think it would be very difficult to keep the gold, and that it is unsuitable, and there is also another objection, that you would leave an advantage to silver-using countries. If it could be done I admit that it is sound in principle. I mean, of course, a gold standard, backed by gold.

7898. We have had it in evidence that the closure of the mints has had no injurious effects on trade. Do you agree with that?—No, I think it has had distinctly an injurious effect on trade. I think the movement in the interior of India both of imports and exports has been very seriously interfered with. That is my own experience.

7899. Do you think at the present time there are fewer rupees than are required for the purposes of trade?—I think so. I should like to see trade allowed to regulate its own demand.

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7900. I do not know if you fully explained your views as to what are the causes of the present stringency of the money market in India?—I believe myself, putting aside minor causes, that the chief and great cause is the closing of the mints to the free coinage of silver.

7901. We have often been told that there would be no currency question if there were no home charges, but I suppose those home charges result very largely from outlay on reproductive works?—Very largely indeed.

7902. You have yourself strongly advocated such outlay, I think?—Yes.

7903. And you think it is justified?—Yes; I think myself India would never have been developed unless England had taken the lead in constructing reproductive works in India with money borrowed in this country.

7904. (Sir A. Dent.) Nearly all the questions I had intended to ask you have been anticipated, but I would like to ask you this. You said that everything fluctuates—you said produce and freight fluctuate, and then I understood you to say, “and exchange fluctuates as well, which is inconvenient”; as much as to say that exchange was a minor matter. Is that the impression you wanted to give?—I wanted to give the impression that the fluctuation of exchange, as far as it affected the conduct of business, was unimportant in itself, although inconvenient; that it did not really affect the sum total of transactions in any year because the necessity for taking risks is removed by the facilities offered by the exchange banks.

7905. (Sir C. Crosthwaite.) You hold that low exchange promotes exports?—Yes.

7906. Does a large sale of Council bills tend to lower exchange?—That would depend altogether upon the existing balance of trade. If exports at the time of a large sale were very large they would be very easily disposed of without lowering exchange.

7907. I am supposing that a large sale is necessary every year, regardless of the state of the market; would that tend to bring down exchange?—It tends to bring down exchange under certain conditions.

7908. If the mints were reopened the Secretary of State would have to sell many more bills?—Yes, possibly, though not necessarily.

7909. Therefore the probability is that the large sales would bring down exchange?—If the balance of trade were unfavourable that would be so.

7910. Then if your position is correct, that the low exchange tends to increase the exports, so far, and in such conditions as I have mentioned, the sale of the Secretary of State's bills might tend to increase the exports?—It would tend to promote exports by lowering exchange till you reached the silver point, whatever that point was. Silver might go up to meet it or it might go down to meet silver, but while the sale of Council bills was being carried out it would not create exports, but by causing the rupee to fall and therefore to get cheap silver into the country it would tend to the development of the powers of producers.

7911. You said that the low rupee benefited the cultivator; I suppose you mean by giving them better rupee prices?—Yes, during the fall of gold prices.

7912. During the same period that you said this was taking place, from 1873 to 1893, you also said that gold prices were falling?—Yes.

7913. Would not that tend to counteract the effect of the fall of silver in giving the cultivator high prices?—It operated exactly in this way, that had it not been for the contemporaneous fall of silver along with gold prices, the cultivator would have been in the same position as the cultivator in this country, and he would not have been able to carry on without a reduction of rent.

7914. Therefore the benefit you mean was a negative benefit to him; there was no positive benefit?—It was negative in a sense; but I should think from a business point of view it was exceedingly positive.

7915. What I mean is, it saved him from loss, but it did not actually give him gain?—That is so.

7916. In your experience, have prices risen in India?—No, I should say not. Of course there have been rises in certain districts and temporary rises from different transient causes, but speaking over a series of years, and taking all commodities, I do not think there has been a rise.

7917. Have wages risen?—Not so much as you would expect except in the chief towns. I should say that the price of agricultural labour has not risen very much.

7918. (Sir D. Barbour.) You said that the expectations of the Government of India in closing the mints had not been realised?—Yes.

7919. What were those expectations that have not been realised?—It was expected that exchange would rise to 1s. 4d. and remain there, and that in a certain time gold would be presented in India shipped from this country to pay for the balance of trade; then that the Treasury would pay out 15 rupees per sovereign and replace the reserve with gold instead of silver; and then when the whole of that reserve had become gold and the sovereign was still being brought from this country to pay for the favourable balance of trade the Indian Government would buy silver and coin it, and with the rupees it coined it would pay for the sovereigns and so make the gold standard effective. That I gathered was the policy and plan of the Indian Government judging from the published records.

7920. Taking the question of the rise to 1s. 4d., did the Government of India expect that to be realised immediately?—I do not say that they expected it to be raised in a week or a month, but I gathered from the records that it was expected to come in a year.

7921. I will read to you this passage from a speech that I made in the Viceroy's Council on the 26th June 1893 when the Bill was introduced: “It may be that the gold standard can be made effective from the first, though it will not be secure until there is a considerable amount of gold in our treasuries and banks. Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis, will involve a long and arduous struggle, and necessitate heavy sacrifices. Time alone can show which view is correct.” Having heard that, do you still say that the Government of India expected that the rise would be immediate?—If that is a correct report of what you said, of which I have not the slightest doubt, certainly your opinion at that time was that there were two views; and if you spoke the opinion of the Government of India, they held the same. But many opinions were spoken—authoritative or not—at that time.

7922. Did the Government of India ever fix any time within which the gold standard would be made effective, or within which they thought it would be made effective?—They never did as far as my recollection goes. I have only the impression that I gathered from various despatches that I read.

7923. I would like to read you another passage. This is a passage from an answer to a question put in Council on the 31st August 1893. “The object of providing for the issue of rupees in exchange for gold at 16d. the rupee was to prevent any great and sudden rise of exchange, and the Government did not undertake either to establish 16d. per rupee as the permanent ratio of exchange between gold and the rupee, or to establish any other permanent ratio immediately or within any specified time.” Do not those words show that the Government expressly avoided fixing any time within which the gold standard might be made effective?—I do not say that they specifically named a date, but the general impression was undoubtedly that they expected it to come, as I have already said, within a year.

7924. I suppose you would call this the slack season in India?—Yes.

7925. You know that the exchange is very nearly 1s. 4d. at present?—1s. 3½d.

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7926. Do you apprehend that there is any probability of a serious fall again in exchange?—Do you mean immediately?

7927. In the course of the next two or three years?—Oh, yes, I think it is quite possible.

7928. Have you been rather surprised at its keeping up to 1s. 3½d. at the present time?—Not at all.

7929. What are the special causes that have been operating to keep it?—Two special causes have been operating; imports have been very seriously interfered with on account of the state of trade in Calcutta, owing to plague scare; and this has been aggravated to some extent by dear money. Then also in Karachi and Bombay there has been serious interference with imports by reason of lingering plague prevalence.

7930. I think you said that a gold standard and a gold currency are not well suited to India?—That is my opinion.

7931. Do you mean that it is not possible to establish a gold standard and a gold currency, or that it would not be a good measure even if it were possible?—I regard the gold standard with the gold currency as a sound principle, but it is very difficult to estimate how much gold you would require to start with. I have heard it stated in this room to-day, that you would require 20 or 30 millions, but if you are going to have a gold standard which will enable you not only to provide for convertibility, but also to provide for an unfavourable balance of trade at any time, I think, myself, it might possibly be a very much larger sum at the beginning, and if I recollect rightly, you have yourself once estimated it at about 70,000,000l.

7932. Putting aside the question whether or not it is practicable to establish a gold standard cheaply or readily, if you had a gold standard, would it be a good thing?—If you had a gold standard and an effective currency, putting aside all the difficulties, that is to say, the initial expense, the amount that would go into hoards, necessitating annual replenishment by the Government, if you put all that aside the only drawback is, as I have already said, that you leave the advantage as between India and China in the hands of China; and in my opinion it is not suited to the circumstances of the country.

7933. Then the drawbacks are that it may be difficult and expensive to establish it, and that, if it be established, you think nations that have a purely silver standard will have some advantage?—That is it, and unsuitability.

7934. You said you thought that India had an advantage from the silver standard between 1873 and 1893, as compared with countries with a gold standard, and at one time you said you thought that that was because the Indian prices remained more steady in silver?—Yes.

7935. Do you think she had any advantage in foreign trade? What you said about prices remaining more steady under silver would apply to all prices in India, but over and above that, do you think she had any advantage in her foreign trade?—You mean looking at it from the point of view of both imports and exports?

7936. Take first imports, and secondly exports?—I think so. I think by being able to get for her surplus produce a greater price in silver, and those silver rupees going as far as ever, it kept her in the position to pay a higher price for her imports and purchase more than she would otherwise have been able to do. I am always keeping before me the fact that, unless exports prosper, you could not expect imports to prosper.

7937. You think, then, that the fall in exchange stimulated exports, and stimulated the imports too?—Yes, in the manner I have tried to explain.

7938. Do you think that a rise in exchange during that time, if it had occurred, would have had the opposite effect?—I think a rise in exchange would certainly have robbed the cultivators and producers of India of a great deal of the benefit that they got,

and would have made it more difficult for them to pay their rents to the Government.

7939. You are speaking of the foreign trade?—I am still speaking of the foreign trade.

7940. If exchange had risen, would the imports and the exports have been the same?—If exchange had risen over a series of years, I think the exports would distinctly have been checked.

7941. And therefore the imports?—Just so.

7942. So that the fall in exchange stimulated both exports and imports—that is the whole foreign trade?—Yes, as exports increased so imports increased.

7943. And a rise in exchange would have checked exports and therefore checked imports, and the two make up the whole foreign trade?—No, you have something more than that. Naturally you must have a balance between imports and exports, but the foreign trade on the one hand is made up of exports, and on the other hand, in considering imports, you have, first, commodities, and then you have to take into account the amount of Council bills and private remittances.

7944. You want to include the Council bills in the trade?—In a manner it is impossible to leave them out, and there is always the unknown quantity of private remittances.

7945. I would like to put that aside and take the trade merely—the exchange between commodities, including gold and silver. I have found a difficulty in holding, and I have never seen it explained to my satisfaction, that a fall in exchange stimulates the international trade between two countries, and that a rise in exchange has the opposite effect; that is looking at it from the point of view of one country, but if you look at it from the point of view of the other country a fall of exchange becomes a rise of exchange. A fall in the Indian exchange is a rise in the English exchange, and yet the opposite effect is ascribed to the same thing according to the side from which you look at it. —I also have been exceedingly puzzled in trying to make out the complexities of the problem, but if you once go out to India and live with the producers of any commodity in any part of India, whether you take coffee, cotton, tea, or any other article, and ask them whether they have not benefited by a fall in exchange —

7946. I am merely telling you the difficulty that has occurred to me and to which I have never seen any answer—The difficulty has often occurred to me. I do not think I can think over it more than I have done. It is more or less a conundrum that has to be answered in this case from the Indian point of view.

7947. Now, as regards confidence being necessary to the establishment of a gold standard. If you pursued a system in itself unsound for the establishment of a gold standard, the fact that there was confidence in that unsound scheme would not enable you to establish a gold standard?—Certainly not; but I think you pay a poor compliment to those who have to express confidence in the system.

7948. Some people have confidence in an unsound system. It has happened before and it might happen again. We have seen men of decided eminence declare in favour of a system, and men of almost equal eminence declare against it?—I must confess myself that when I hear the word “scheme” or system mentioned in regard to currency matters I begin to feel a little frightened.

7949. On the other hand, if you had a sound scheme it might succeed, although there was no confidence in it?—If you persevered in it you would win confidence.

7950. All I mean is that confidence of itself is not what will establish a gold standard. If you have a sound scheme you can establish a gold standard, although there may not be confidence in the scheme?—Just so, and in the same way, want of confidence in an unsound scheme will probably make it break down all the sooner.

7951. Confidence alone will not make it sound?—No.

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7952. Now as regards the high rate of discount in India. Do you think it is due to want of loanable capital or want of currency?—I have come to the conclusion that it is want of currency.

7953. You know there are a great many rupees in India that are not available as loanable capital?—That is so. Every man in India is his own banker practically and keeps his rupees hidden away.

7954. If 5 crores that are hoarded in the interior could be got at and deposited in the presidency banks, that would increase the available capital, although it would not increase the currency?—Undoubtedly, because the rupees which are now practically non-existent, would become available.

7955. They are not non-existent. They are rupees which are in existence, but are not available?—They are non-existent for all practical purposes. They are not available—they are not part of the effective currency.

7956. Now you said that some of the exchange banks had withdrawn money from India?—Yes.

7957. Do you think some private depositors have taken their money out from India also?—I think a number of people who had savings there and were waiting for 1s. 4d. sent their money home to invest it in this country. But that sort of thing has been going on, I think, more or less ever since I went to India 25 years ago.

7958. I think I heard you say that a Council bill was not an order for export?—No, not exactly an order for export. As I understood the question, it was that a Council bill did not create an export.

7959. Suppose the Secretary of State made up his mind, or Parliament ordered him, to draw 10 millions sterling in every year more than he had drawn before, that would put down the exchange?—Yes, under certain conditions.

7960. That would increase exports?—A lower exchange would stimulate exports of course.

7961. In fact, that 10 millions could not be paid in any other way, practically, than by increasing the exports?—I see exactly your point, but the way you are putting it, I think, is tending a little to the confusion of two separate issues. Naturally as Council bills increase and have to be drawn to that extent, as they have to be paid by exports, you must increase your exports, and if that leads to a fall of exchange the chances are that those exports will be forthcoming; but suppose you insisted on drawing an increased number of Council bills, no matter what the circumstances were, and suppose it was in a year such as the year which we have lately passed through, with no surplus production—a famine year—you could not create produce by Council bills. You would have to find some other means to balance it; you could not create produce because you drew Council bills.

7962. You might check imports?—But that would be after the mischief was done, when you could not get produce to ship.

7963. It is not my statement that a Council bill is an order for export, but it appears to me that money which the Secretary of State has to find, can only be found by India if there is a sufficient surplus of exports over imports?—That is so, undoubtedly.

7964. There is no other possible way?—Just so.

7965. Therefore, if the Secretary of State has more money to find, the surplus must increase?—The surplus must increase and does increase under ordinary circumstances. I was only wanting to avoid what appeared to me the possibility of confusion by using the word "create." If the exports did not exist effectively in the country, you could not create them by drawing Council bills.

7966. In point of fact, when the exchange fell sufficiently low, gold was exported to some extent from India?—Yes, the holders of gold, the native bankers, were very clever; they thought at one time exchange was going to recover, and therefore they sold out their gold, and for that year the export was larger than the import. It was simply a speculation.

7967. And since exchange rose they have begun to import again?—Yes.

7968. Now as regards trade having suffered by the closing of the mints. It has suffered, no doubt, from the high rate of discount which you ascribe to the closing of the mints, and I entirely agree with you to that extent, but has trade suffered in any other way?—I would answer that question in this way, that the mischief that would be brought about by the closing of the mints, if the present policy were persevered in, is only now beginning to show itself, and it will be years before it develops to its full extent. It will take a long time really before the mischief in India, if the present policy is persevered in, will show itself in the statistical returns.

7969. I was not thinking so much of the statistical returns, because, of course, the famine has caused a falling off, but, apart from the high rate of discount, in what other respect is trade likely to suffer?—I think I have already gone over that ground, first in regard to the advantage that silver-using countries will have, which, of course, I think will increase very much as years go by.

7970. Anything else?—Those are the two chief dangers. The rupee has been high for such a short time, and such an unfortunate time for India, that I would not base any argument upon that.

7971. If prices, and wages generally, rose in silver-using countries, the countries which have a silver standard would lose that advantage?—If silver rose to the ratio fixed in India, they would have no advantage.

7972. But if silver prices rose proportionately to the fall in silver in silver-using countries, they would lose the advantage?—You mean in wages, yes. It would diminish. I do not say that it would disappear altogether; I do not believe myself that that is possible, but it would diminish.

7973. Theoretically, it would, if everything rose in proportion?—Theoretically. That is the theory; I have never been able to see it practically tested satisfactorily in any experience of mine.

7974. I know there is a difference of opinion upon the question between men, on both sides, very capable of forming an opinion, but if wages were to rise proportionately, the advantage would be swept away?—No doubt.

7975. (Mr. Hambro.) You said you had carefully considered the question of loanable capital and currency. Can you separate in any way loanable capital in any one spot from the currency available in that spot?—I cannot myself.

7976. Could you get any more capital loanable in a particular spot without bringing more currency to that spot?—That ought to be so wherever you have a mint that will take the bullion that you bring to it, but it is impossible in India at the present moment because the mints are closed, and therefore you cannot send bullion and transfer it into currency.

(Sir F. Mowatt.) When you say currency you are referring to rupees?

(Mr. Hambro.) Yes.

(Sir F. Mowatt.) Not notes?

(Mr. Hambro.) Well, notes are rupees, because they can be exchanged for rupees.

7977. (Sir J. Muir.) I understood you to say that you consider that those desiring the benefit of India should do all they can to foster and encourage exports?—Certainly.

7978. And in your individual opinion you think it desirable that the mints should be re-opened under proper safeguards?—I think the sooner you get to open mints the better it will be for India.

7979. You were asked if you could suggest any such safeguards. I think it behoves those who hold your opinion (with which I do not disagree at all) to suggest some such safeguards. Perhaps your attention has not been very much directed to that subject?—I myself do not see if you are going to have the principle of open mints, that you can provide any safeguards, for safeguards themselves partake of the

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nature of an artifice, and therefore are unsatisfactory. I have already said that the proposal to arrive by gradation at open mints has something to be said for it. I have also had it suggested to me that if it were possible to approach America, leaving England entirely out of it, and propose that they should open their mints at a low ratio the (equivalent of 42d.) on condition that India should open her mints, it would be a useful lesson, and it could not be any disadvantage to England and would benefit India.

7980. You say it would be a useful lesson?—Yes; we should see how America would get on with her experiment in bimetallism. I have heard that suggested several times, and, if practicable, it certainly is deserving of consideration. Whether there is any practicability in it I do not know. It does not preclude what, to my mind, is the most important thing, and that is, arriving by some stage or other at the opening of the mints for the free coinage of silver. In fact I believe it would get over many difficulties, and might be a final solution.

7981. Mr. Lindsay's scheme has been fully explained to us, and we have also had the Government of India's scheme, and Mr. Probyn's scheme. Now we had before us an eminent banker, Mr. Raphael. He has a scheme which was briefly explained to us by Mr. Robert Steel. I will just explain to you what it is, because it seems to me there is something in it. I do not approve of it altogether, but I think there are the bones out of which something might be evolved. Mr. Steel explained Mr. Raphael's scheme in this way: "You may announce that the mints are opened to silver to be coined as it is paid in, in order of delivery; that you will coin two lakhs of rupees a day and that you will pay for it in Treasury drafts at 10 days, that is to say, that the first two lakhs of silver presented at the mint will be paid for by draughts at 10 days sight, the second two lakhs will be paid for by drafts at 11 days sight, the third two lakhs by drafts at 12 days sight, and so on. In that case a large amount of silver no doubt will be tendered at once in India, and probably enough to keep the mints going for 18 months. It would not be possible for people to send out silver from England to meet that demand without incurring the prospect of considerable loss, that is to say, they would only be paid for it 18 months later, and they would have to discount the Treasury drafts. Now, in discounting the Treasury drafts, the discounters would naturally take into account the fall in the rupee value at the time he has paid his money, and he would therefore charge a higher rate of discount, I should think not less than 12 or 14 per cent. per annum. The consequence is it would not pay to send out silver from England to India for coinage without allowing a considerable discount, and the exchange would not fall very rapidly. I do not think the exchange would fall very much at all under that arrangement." As I say, I think the bones of some scheme are there. I think he proposed too much when he said two lakhs of rupees a day. Suppose we were to begin with one lakh, or something of that kind; do you see anything of a basis here whereby we might reopen the mints without running the risk of a very sudden collapse in exchange?—I would not like to give an opinion hastily in a matter of that sort, especially as that suggestion comes from such a distinguished authority, but I do not think it would work out as its author anticipates. If it were known that open mints were coining, exchange would be apt to tend quickly towards the silver price.

7982. Perhaps when you get the proof of your evidence you will fill in whatever you desire to say upon that scheme?—Very well.

7983. If I have understood you aright, you have said that while some years ago Manchester objected strongly to the import duties, that objection had not reference so much to revenue raised for Government purposes as to the argument about Protection?—What I wished to say was this, that when import duties were first mooted, Lancashire got the idea that it

was an interference with free trade, to which she is devotedly attached. You know that that is one of the principles that Lancashire people feel most strongly about. But what I said was that Manchester had gradually discovered, as the controversy has proceeded that really the imposition of import duties does not interfere with the principle of Free Trade at all, if you put on a duty for revenue purposes only, and eliminate all elements of protection. What I wished to convey was that according to my view the feeling in Lancashire would not be strong upon the subject now, so long as there is no question of Protection.

7984. That is what I understood generally, but I wanted to elicit it from you?—May I just say here that I have often heard Indian import duties objected to on the ground that they do not pay the cost of collection. In the case of increased duties no objection of that kind applies, because the cost to the Custom House of the collection would not be increased, it being a fixed charge, while the per-centage of expense would be diminished.

7985. Charging an Excise duty on the Bombay mills?—Yes, you must not allow me to leave you gentlemen in this room with the idea, and I would not like Lancashire to get the impression, that I have advocated increased duties. I have only tried to answer your question as to the present state of feeling in Lancashire.

7986. What I am trying to feel my way to is this. It has been stated that there will be great difficulty in the Government of India raising the necessary funds to balance the Budget. My opinion is that if we set about the thing carefully some means might be devised?—I think myself that the best means, if it ever came to be a question of taxation, would be to appoint a carefully selected Commission or Committee of Europeans (non-officials and officials) and natives, and let them go thoroughly into the question in a way that it has not been gone into at all up to this point.

7987. The idea has been suggested that there might be an export duty charged on all jute shipped from Calcutta, and at the same time a duty on all jute produced by the jute mills in Calcutta, which would produce a very substantial sum. Those are two sources of income—Manchester goods and an Excise duty in Bombay; a duty on the raw jute and an Excise duty on the jute mills in Calcutta would bring in a substantial sum. Then again, coal, as you know, has now become a large article in India, and again, iron; that is to say rough iron—pig-iron; then again, salt has been referred to?—Be careful about salt.

7988. We have had before us Mr. Robert Steel, who understands the thing pretty thoroughly; and he says, at any rate, if the native pays for his salt he only pays 4d. a year. Then, we can assess up to 3 rupees, and now we only assess up to 2 rupees 8 annas; the difference 2 rupees 8 annas and 3 rupees would amount to a large sum, perhaps 9 crores or so.

(Mr. O'Connor.) Oh, no, perhaps 1 crore; not more. We only get 6 crores now, out of the 2 rupees 8 annas assessment.

7989. (Sir J. Muir.) However, that is another thing that we could fall back upon?—But I warn you that salt is a burning question among the natives of India, because it is a sentimental question. The native Indian is very averse to any increase in the salt tax, the feeling being that it falls on the poorest classes, and that they can ill afford any extra taxation.

7990. Do you know anything of the settlements; the land was settled on the basis of 30 years, and some of the settlements are falling in from time to time?—Some of them; some of them have been renewed, I think, not very long ago.

7991. As these settlements fall in the period of settlement might be reduced from 30 years to 10 years?—I think it is quite within the province of the Government of India to consider that matter. They know all the circumstances, and what they can safely do.

Sir F. F. Adam, C.I.E. 7992. But that is another source of income?—
Yes.

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7993. (*Sir F. Mowatt.*) I understood you to say that you thought the silver standard of China has given an immense advantage in competing with India for external trade?—I rather intended to convey this meaning, that we had not had time yet to see China reap the advantage of the silver standard, but that it will inevitably come within a few years. That is my opinion.

7994. That would be equally true, of course, with regard to Chinese competition with all gold standard countries?—Yes.

7995. Therefore India is no worse off than the various gold standard countries in the world in competing with China?—Except that she is doing a direct competition in many articles which both can grow, being Oriental countries, and that other gold standard countries, European countries, cannot grow.

7996. (*Sir C. Crosthwaite.*) I understand that in your opinion the low exchange value of the rupee did not reduce the sterling value of produce in gold countries?—I think I said in answer to Mr. Campbell that it had some influence. I admit it had an influence.

The witness withdrew.

Adjourned.

EIGHTEENTH DAY.

Tuesday, July 26th, 1898.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

Mr. H. Coke.

Mr. HENRY COKE called and examined.

26 July 1898.

7997. (*Chairman.*) Your place of business is 12, Leadenhall Street, and you are the representative of Messrs. David Sassoon & Co.?—Yes.

7998. For how many years have they been engaged in the Indian trade?—They have been in Bombay for 60 or 70 years.

7999. How long have you been connected with them?—Thirty years.

8000. I believe you are intimately acquainted both with Indian currency and Indian commerce and Indian finance?—I have had a great deal of experience.

8001. Were you in favour of closing the mints or were you opposed to closing the mints in 1893?—I was in favour of closing the mints, and I gave evidence before Lord Herschell's committee to that effect.

8002. Will you give us shortly the grounds upon which you arrived at that opinion?—In 1876 I urged upon the India Office, through Sir Louis Mallet, the expediency of closing the mints, I have a letter in my possession at the present time from Sir Louis Mallet, saying that he agreed with me, that under the circumstances it would be quite justifiable to take that course, but I ought to be aware that there were a great many authorities both in and out of Parliament who were strongly opposed to such a course. For many years I was connected with the Bimetallic League, but when I saw that bimetallicism was impossible, I turned my attention to the closing of the mints, and urged this course upon all persons connected with, or having any interest in the Government of India.

8003. May I ask whether you have any statistics to support that view?—I have not.

8004. Do I understand that Sir Louis Mallet expressed an opinion in favour of the closing of the mints?—Yes, here is the letter:

India Office,

September 15, 1876.

DEAR SIR,

I AM much obliged for your letter and can only say that your views are almost identical with my own on this question.

I believe that the result will be a diminution of imports to an extent sufficient to enable the Home Government to draw its 20 millions out of the excess of exports, and a general contraction of the foreign trade of India.

I do not see how the exchange can right itself under present circumstances. As to stopping coinage in India—which I agree with you in thinking quite justifiable, if not necessary—you are aware that all the great authorities, both in and out of Parliament, are bitterly opposed to it.

Faithfully yours,

H. Coke, Esq.

(Signed) L. MALLETT.

8005. In your opinion what has been the effect upon the export trade of India of the closing of the mints?—I think it has had little effect one way or the other. The export trade has continued very much the same as it was before, and my opinion is that, if the export trade of India could be conducted with exchange at 2s. for the rupee, there is no reason why it should not continue with an exchange of 1s. 6d. or 1s. 4d. the rupee. I fail to see that exports have been affected in any way by this fall of exchange.

8006. You do not think the exports have diminished?—I think not.

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8007. Have you any knowledge of its effect upon the internal trade of India?—I believe that has not been affected in the slightest degree.

8008. Have you any knowledge of the recent stringency in the money market in India?—I have.

8009. Will you tell us your views as to that?—The effect of closing the mints has been that every year the redundancy of currency which existed in 1893 has been curtailed by a slow process. In 1893, when the closing of the mints took place, the whole of the crop of that year had been already paid for and disposed of, so that the closing of the mints had no immediate effect upon exchange. In 1894 there was a very considerable redundancy of currency to be worked off. A portion of it went up country and sank into the black soil of India; that is, it went to pay the wages of the labourers who had grown the crop, and it became distributed among people in the interior. In 1895 a further effect upon the currency took place by the disappearance of the redundancy. Then we came to the famine year, when the reduction was less. Subsequently the export trade resumed its normal proportions and the stringency of money was severely felt. Exchange rose to 1s. 4d. the rupee. People who had kept back their remittances waiting for the expected rise took the opportunity to remit, and this added to the demand for sterling bills. In my opinion the stringency will increase every year.

8010. (*Sir F. Mowatt.*) You say, will increase, not continue?—Will increase; and I suppose that next year if there is an ordinary crop, the stringency will be greater, and there will be a still greater difficulty in getting money in India to pay for the crop of the year.

8011. (*Chairman.*) How is that affected by the Government notification that for gold at the rate of 1s. 4d. the rupee, they will give rupees?—I think the gold must go to India.

8012. To get the rupees?—To get the rupees. It is the only means of increasing the currency of the country. The currency must be elastic.

8013. Is it not the fact that upon the last notification of the Indian Government, upon the payment in London of gold, rupees can be coined in India if the Government wish to coin them, and put into currency there?—Yes, but people will not pay gold into the Bank of England in return for rupees in India at 1s. 4½d., when there is a risk of the exchange falling to 1s. 3d. on the cessation of exports. As a matter of fact, forward exchange at one time this season was quoted as low as 1s. 3d. when the rate of the day was 1s. 3¾d. to 1s. 4d.

8014. You are satisfied then that in 1893 there was a redundancy of currency?—I think so.

8015. More than the trade of India required?—Yes. The effect of the Sherman Act had been to cause large speculations in remitting silver to India. The extent of these was given before the Herschell Committee, who, I believe, were satisfied as to the redundancy for the time being.

8016. If the Herschell Committee had not inserted that limit of 1s. 4d., do you think the rate of exchange would have risen higher than it is now?—It is entirely a matter of opinion. I think myself that there would not have been a block to the rise, as there is now. The course of events is this: directly the exchange gets to 1s. 4d., or practically to that, people stop operating for the rise, and sell for a fall, as that is the only means by which they can make a profit on exchange.

8017. Do you think 1s. 4d. a reasonable rate?—I do.

8018. If you had a clean sheet, is that a rate that you would recommend?—I should. I expressed the same opinion before Lord Herschell's Committee, before I had seen the minutes of the Government of India, which I think pointed to 1s. 6d.

8019. Will you just repeat your reasons?—I thought that rate fair at that time. First, because it was not a greater variation from the existing rate than had been known to occur in the ordinary

fluctuations of exchange when the par was 2s. per rupee; secondly, because it was only just that the Government when introducing a new system of currency should show some consideration to the interests that had suffered by the severe fall that had taken place in consequence of the demonetization of silver in Europe. (I may mention that when 1s. 4d. was recommended, the actual rate was 1s. 2d.) Thirdly, because a rate of 1s. 4d. did not differ widely from the average rate of the preceding five years. The average was nearly 1s. 5d. Fourthly, because a higher rate would have put too great a strain upon the new interests that had been allowed to grow up on the faith of the existing state of the currency of India. Those are the four reasons; and I may say that whereas those reasons influenced me at that time in fixing the rate at 1s. 4d., the exports of the last five years have proved that the rate of 1s. 4d. was not higher than the export trade of India could bear.

8020. Are you of opinion that a low rate of exchange is a permanent advantage to the export trade?—I am not.

8021. Why not?—If the rate had been fixed at 1s. 3d. or even 1s. 2d., certain interests would have maintained that a further fall should not have been arrested by the action of the Government. It appears to me a fallacy to assume that a low rate of exchange is a permanent advantage to the export trade of India. While the rate is falling there is no doubt a great inducement to press forward exports to catch the higher sterling prices ruling in European markets, and therefore the volume of exports may be expected to increase; but when exchange has found its lowest level, if such were possible on a silver basis, the whole advantage would disappear in the adjustment of the lower sterling price of commodities, and then disappointment would be caused by the absence of the stimulus of a still further fall: just as unhealthy stimulants lose their effect on a patient when not constantly increased.

8022. Are you in favour of the reopening of the mints?—No, certainly not.

8023. Will you just tell the Committee why you object to the reopening of the mints?—I object to the reopening of the mints because the currency of India would be at the mercy of the speculators in silver. I suppose there is no commodity which is more subject to manipulation by American speculators than silver, and I think it would be most unwise to place the finances of India and the trade of India, upon such a shifting basis.

8024. Are you in favour of the establishment of a gold standard for India?—I am.

8025. Do you include a gold currency at first?—Not at first. I think it will take some time for the present system to work out. I am in favour of a gold standard for India without a gold currency at first. It is impossible to devise a complete scheme which will satisfy the conditions of India. The method must be tentative and step by step. It has taken five years to prove that Indian exchange can be separated from the price of silver. It may require another five years to prove whether the people can be trusted with a gold currency. But this is a point which should be left to the judgment of the Government of India, who have more opportunity than any single individual of forming a correct opinion on matters appertaining to national characteristics.

8026. I presume that you mean by the remark, "whether the people can be trusted with a gold currency," whether the gold would not be abstracted from the currency for the purpose of hoarding?—Yes.

8027. Do you agree with Mr. Arthur that it would be a mistake to fetter the Government with any special recommendations?—I agree with Mr. Arthur that it would be a mistake to fetter the Government with any special recommendations, as to the method of introducing the gold standard. I would qualify that by saying, that while I would not prescribe to

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the Government a complete scheme for the introduction of a gold standard, I cannot think that it would be desirable to withdraw 12 crores of rupees from the diminishing circulation, and melt them up.

8028. You do not agree, in fact, with the proposals of the Government of India to establish a gold currency?—I do not agree with that proposal.

8029. You are speaking of the artificial contraction of the currency?—Just that.

8030. There is another proposal of the Government of India, which is the immediate introduction of a gold currency; that is, making gold legal tender. Do you approve of that?—I should leave that to the discretion of the Government, but as I said before, the change must be gradual.

8031. I suppose, subject to those two qualifications, you see no insuperable difficulty in establishing a gold standard and gold currency?—No.

8032. You would have a gold standard with a silver token currency?—At first I would have a gold standard with a silver token currency, and see how that works before issuing sovereigns for general circulation.

8033. Have you considered Mr. Lindsay's scheme?—I have.

8034. Will you tell the Committee what you think about that?—I view Mr. Lindsay's scheme with some favour. His idea of a gold standard office both in England and India is somewhat akin to the suggestion made by me before the Herschell Committee, that Indian Exchange might be worked through a State bank, which should also undertake to make the remittances of Government; but Mr. Lindsay leaves the latter to be dealt with as at present, so that the operations of the gold standard offices and the sales of Council drafts might clash. There is also the financial responsibility which the Government decline to accept. If these two objections could be overcome, I think the gold standard offices might control the exchanges just as the Bank of England settles the rate of interest in London without interfering with the operations of private banks.

8035. With reference to Council bills, would not Mr. Lindsay's scheme, by prescribing a minimum rate, practically settle the price at which Council bills would always have to be sold?—There would be a greater demand for Council bills at certain times of the year, and then the rate would be higher.

8036. And do you think that that would take the price up above 1s. 4d.?—I think it would.

8037. Are you satisfied that the present mode of disposing of Council bills once a week by a supposed auction is the best mode of making the Government remittances to India?—I should not like to express any opinion against it.

8038. Have you any opinion with reference to placing a duty on the import of silver as part of this scheme?—A very strong one.

8039. Just tell the Committee what it is?—If the Government could see their way to fixing a minimum rate of exchange, as proposed by Mr. Lindsay, much of the difficulty would be overcome, but when the Government, who are responsible for the financial results, openly affirm that they cannot undertake the responsibility, it would in my opinion be unwise to press them to do so. The effect of a minimum rate would be at once to eradicate the speculative element which intensifies the tendency to a fall in exchange, even more than the cessation of exports. Lastly, I suggest that the Government might strengthen their position materially by placing a duty on the import of silver, equivalent to a rate of exchange of 1s. 4d. the rupee. The value of the hoarded mass of silver already in the possession of the Indian community would then be raised to the present artificial value of the rupee, and there would be no inducement to ill-disposed persons to increase the volume of currency by illicit methods. There is a suspicion that all the silver which now goes to India does not go for manufacturing purposes or for the ordinary purposes

of trade. There is a suspicion; I do not think it can be proved.

8040. Do you think it goes for illicit coinage?—It goes up country and something is done with it that the Government do not know. It disappears from view.

8041. I suppose there is also a large quantity of gold sent to India, of which we do not know the proposal?—A great deal of gold goes there for hoarding, and a great deal is used in the manufacture of puggarees and native dresses.

8042. Now have prices remained pretty constant with the falling exchange?—The gold prices in this country?

8043. In India?—The silver prices have remained practically constant. Evidence was given before the Herschell Committee, from 12 of the principal markets in India, of most of the leading articles of trade, showing that, whilst exchange had been falling from 2s. in the rupee to 1s. 3d., the silver price had been practically unchanged; but to my certain knowledge the whole thing is adjusted in the gold price in this country. My own experience for the last 20 years has satisfied me that whereas the average of silver prices in India has not varied, the fall in exchange has been adjusted in the gold price in this country. Our firm used to receive large consignments of the produce of India for sale in European markets. When exchange continued to fall rapidly, affecting adversely remittances of the proceeds of these consignments, native dealers put a stop to consignments, and insisted on sales to arrive, settling both price and exchange at the moment. As exchange continued to fall, lower sterling bids continued to be accepted, but the silver price remained the same, and that was all the native shipper cared about. Each fall in exchange enabled a new transaction to be effected without any loss of silver price. Dealers and merchants secured the profits, and highly appreciated the situation which allowed of such active business, not considering what would happen when the "hard pan" of lowest exchange was reached.

8044. The great bulk, or practically three-fourths of the trade of India, is with gold-using countries, is it not?—At the time of the Herschell Committee the proportion was two-thirds to one-third.

(*Chairman.*) Perhaps Mr. O'Connor will tell us what the actual figures were.

(*Mr. O'Connor.*) Very nearly 80 per cent. is with gold-using countries. Several countries have adopted the gold standard since then.

(*Witness.*) I am speaking of the time of the Herschell Committee. At that time the proportion was 67 per cent., so that if it is now up to 80, as Mr. O'Connor says, the trade has increased with European countries.

8045. Would you regard that as an additional argument in favour of the gold standard?—I should regard it as a strong proof that the closing of the mints has had a beneficial effect on the trade with gold standard countries.

8046. (*Lord Balfour of Burleigh.*) I do not understand that you have any actual knowledge of illicit coinage in India?—I have not.

8047. And if the testimony of officials in each of the provinces of India were to the effect that, having made careful inquiries they had not been able to trace it, would you be inclined to place reliance upon their views?—I place great reliance upon official information in India, because I know that they have means of obtaining accurate information that the outside public have not.

8048. Would not this be a fair way in which to put it, that if there were large manufactories of illicit coins that would be sure to be found out, and if there were many small ones it would be almost certain that the accuracy of the work would so vary that it would be detected in that way?—I could not say with any certainty that there is illicit coinage. I only say that many people suspect that there is.

8049. (*Sir D. Barbour.*) You said that the Government of India minute mentioned a rate of 1s. 6d. for the rupee, not 1s. 4d.?—I think there was something pointing to 1s. 4d.

8050. My recollection of it is this (and I ought to know) that the Government of India did not fix any rate, but gave a promise that under any circumstances the maximum rate should not exceed 1s. 6d.?—As I said in my evidence in chief, when I expressed an opinion that the rate which the Government should endeavour to establish should be 1s. 4d., I was not aware that the question of the rate had been discussed in any minute that came from India; and, therefore, I afterwards read, with great interest, the minute on that subject. I was under the impression that no other rate than 1s. 6d. was referred to in that minute.

8051. Referred to as being the maximum under any circumstances?—That might be so.

8052. You do not approve of the proposals of the Government of India, I understand, because you think it would be a mistake to melt down rupees in the way they propose?—I think so.

8053. Do you think that if their policy was carried out far enough, it would result in a gold standard?—Probably.

8054. But your objection to it is that the carrying out of that policy might be attended with certain evils, the risk of which you are not prepared to run?—What I think is that the 1893 policy has worked fairly well. It has come to a point where, after several great struggles, the financial people in India see that a rate of 1s. 4d. is very likely to be established—established, I may say, on the same fixity that a 2s. rate was established. I have had experience in India when the rupee was 2s. 3d., also when it was 1s. 10d., so that when silver was recognised in the world generally as money, there was a variation of the rupee between 1s. 10d. and 2s. 3d., according to the demand for money in India at those particular times. It had nothing whatever to do with the market price of silver, but it was a variation in exchange equivalent to the effect which is produced here by the Bank rate going up sometimes to 10 per cent., owing to some exceptional circumstances, and falling again to 2 per cent. when money becomes easy.

8055. The question I want to put to you is this. Your objection to the Government proposals is that the melting down of rupees might cause evils which you think it is desirable to avoid?—Yes, I think it would be an extreme measure, which is unnecessary under the circumstances.

8056. And might produce evils?—Might produce great evils.

8057. I do not know whether you have given any attention to what some people have called the evasion of the maximum in connexion with the sending of gold to India. They have said that when the rupee goes up to 1s. 4d., or a little over, people know you cannot go any higher, and so they hold off their transactions?—Yes, that is what I said.

8058. Now, when exchange is high, sterling is cheap and rupees are dear. Is not that so. You get more sterling for your rupees; you get 1s. 4d. for your rupee instead of 1s. 1d.?—Yes.

8059. When exchange is high, sterling is cheap, and rupees are dear, and when exchange is low, sterling is dear, and rupees are cheap?—There are two methods—

8060. First of all, do you agree with that; that when exchange is high, sterling is cheap, and the rupee is dear; and, on the other hand, when exchange is low, sterling is dear, and the rupee is cheap?—When exchange is, say, 1s. 3d.—

8061. Or when exchange is 1s. 1d., sterling is dear and the rupee is cheap?—Yes, of course, that is so.

8062. Now the object of a man in business is to buy in the cheap market and sell in the dear market?—You mean his productions.

8063. Anything—any man who is in business, buying and selling, will buy in the cheap market and sell in the dear?—As a general statement, yes.

8064. Consequently, if a man has sterling to sell and exchange is 1s. 4d., and he knows that exchange cannot go higher he will like to hold on a little (if he can manage it) on the chance of sterling becoming dearer?—Yes.

8065. On the other hand, an importer who may want to sell rupees and get sterling, would like to carry through the transaction when exchange is high?—That argument applies to commodities generally, but money is not a commodity.

8066. I entirely agree, but I say that a man who has anything to sell, whatever it is, likes to get as good a price for it as he can, and if he wants to buy he likes to buy as cheaply as he can?—Of course.

8067. Then the result is that a man who has sterling to sell when exchange is very high may hold off for some time?—Yes.

8068. And by not selling at that time he tends to keep exchange down?—Yes.

8069. On the other hand, the man who wants to carry out the opposite transaction, the importer, brings forward his transaction to get the advantage of the high exchange?—Yes.

8070. And in that way he too tends to keep exchange down?—Yes.

8071. Both these men transfer the transaction from one period of time to another period of time?—That is all.

8072. By one man not carrying it out at once, and by the other carrying it out sooner than he would otherwise have done, they tend to keep exchange down when it is high, but do they not by that very fact tend to make it go up at a future time?—No doubt.

8073. So that the result is that although the exchange is kept down at one time, it is made higher at another time?—Yes, it is the same thing with speculators in futures. People "bear" the market in futures, and it creates a market for covering.

8074. So that the result of this system of evasion of the maximum, is simply to keep exchange down when it goes to the maximum, and to keep it up when it tends to go to the minimum?—Yes. But the very fact of these speculative transactions depressing the market more than it ought to be depressed under the normal state of things creates a want of confidence in exchange. That is the evil of it. It is undesirable that a country should be subjected to these speculations.

8075. I agree, but I wanted to bring that out, that that system of evading the maximum has the effect, not of lowering the average exchange of the year, but of lowering the maximum and raising the minimum?—Just so. Of course, when you cannot get above a certain maximum and you can make any minimum, as in the present state of things, the principle of forward speculative transactions does not so much apply, because we have a system which prevents them being cornered and the price going up against them.

8076. Now if the ultimate result of this evasion of the maximum was to be this, that in the slack season somebody found that in order to cover himself he had to import gold into India, that would create great confidence in the future of exchange?—Yes.

8077. (*Sir J. Muir.*) You referred to the stringency in Bombay recently?—And in Calcutta too.

8078. What was the Bank of Bengal rate?—12 per cent., I think.

8079. Was it not 13 per cent.?—It might have been; I am sure it was 12 per cent.; it might have been 13.

8080. But that was not the measure of what merchants in Bombay had to pay for money. Is it within your knowledge that merchants in Bombay took Government paper to the manager of the bank and asked for an advance in the ordinary course of business against that paper; they were refused at first at 13 per cent., and then they said "At what rate will you lend it to us?" And the answer was "We cannot lend it to you at any rate." They

Mr. H. Coke, paid "We have engagements maturing, and we must
 26 July 1898. "have the money or we shall be bankrupt; we will
 "give you anything, up to 18 per cent." Have
 you heard of that?—So we have been informed.
 And further than that, I have heard it stated that you
 could not get rupees in the bazaars, upon gold bars,
 at 25 per cent. from the bullion dealers.

8081. Being an Indian merchant, you know that
 this has been an exceedingly sore point to all the
 merchants in Calcutta, Madras, and Bombay?—No
 doubt.

8082. In 1893 you said there was redundancy of
 currency?—Yes.

8083. What evidence is there of that?—There was
 an enormous amount of silver shipped out to India
 without any sufficient cause, except the operation of
 the Sherman law. People thought that exchange,
 which was then low, would be going up to 2s., and
 there was an immense amount of silver sent out for
 no other purpose but to get the expected profit on
 exchange. The Sherman Act did not have the effect
 expected, and the pendulum swung in the opposite
 direction.

8084. Now, I am not satisfied that there was any
 redundancy in 1893, that is to say, that there were
 more rupees in circulation than were needed?—That
 could be proved by the amount of silver tendered at
 the mint and the issue of Government notes; that
 could be proved officially.

8085. Still, we have no proof of that, that is to say,
 the merchants of India, the majority of them, say
 that there was no redundancy of currency in 1893.
 Now, where is it visible; where is it made patent?
 —I think Mr. O'Connor can best answer that
 question.

8086. Mr. O'Connor is coming before us to-day, but
 I am satisfied about it, as far as I can gain any infor-
 mation, and I should like you to show me where
 there was any redundancy in 1893?—It is placed on
 the records of the Herschell Committee, I think, that
 there was a redundancy, by the statement of the
 immense amount of silver that had been sent to India
 in the preceding 12 or 18 months, and also by the
 great increase in the issue of Government notes. I
 will not undertake to give the Committee anything
 further than my own experience.

8087. Then you said that you objected pretty
 strongly to 12 crores of rupees being withdrawn from
 circulation now and melted?—Yes.

8088. Is not that going a little on the same lines
 that the Government of India have been going on in
 the last five years, that is to say, they have refused to
 coin any more silver? It is just going a little further
 in what some of us regard as the wrong direction,
 but you would call a halt now?—Whereas I am
 satisfied with the positive policy; I will not adopt the
 negative.

8089. You think they would not have got the rate
 up to 1s. 4d. unless they had closed the mints?—I
 think not.

8090. Therefore, this has been a despotic inter-
 ference with the ordinary course of business?—No,
 I do not agree with you at all in that view of the
 matter. The first duty of any civilised country is to
 attend to the currency. Currency laws are made by
 Government. The currency of India was established
 in 1835, when silver occupied an entirely different
 position in the world to what it did after 1874.
 When the Government find that they have a currency
 based upon conditions that have been entirely altered,
 I think it is the duty of the Government to alter its
 currency laws to meet those conditions, and it was
 not any arbitrary interference with what some people
 call the natural state of things, but it was a duty
 thrown on the Government to protect the interests
 of India generally, and not to allow one class of in-
 vestors or traders to benefit by the loss of another;
 currency laws are artificial, not natural laws.

8091. You said that in your experience you had
 had the exchange at 2s. 3d.?—Yes.

8092. So have I, and at 2s. 2½d., and as low as
 1s. 10d. There was no necessity then, was there, for
 interference?—That was only for a very short time,
 and under special circumstances. Sometimes you
 have the bank rate at 10 per cent., and I have known
 the Bank Act to be suspended on that account
 twice.

8093. Once, I think, in my time?—Well, if it was
 not actually suspended, permission was given to issue
 notes, but you do not want to legislate for exceptional
 circumstances of that kind.

8094. That was brought about by natural causes,
 and there was no interference by Government to force
 the rate up to 10 per cent.?—I do not think there was
 anything natural about that.

8095. Did the Government do anything?—The
 Government did not do anything, because there was
 known to be a temporary pressure for money which
 in the ordinary course of business would settle itself,
 just as the exchange in Bombay went back from
 2s. 3d. to 2s. as soon as there was time for remittances
 from London to reach that place.

8096. We were talking of England. The suspension
 of the Bank Act was brought about by excessive
 speculation on the part of money houses in various
 parts of the country. The Bank Act was suspended,
 and immediately was restored. Now that state of
 affairs in London was not brought about by any
 interference on the part of the Government?—No.

8097. They did not force the rate up for any
 objects of their own?—No.

8098. What the merchants of India complain of is
 that the Government in India have taken steps,
 whereby they forced the rate to 18 per cent.?—I only
 wish to say that it was not the action of Government
 which produced the state of things you refer to, but
 the basis of the currency fell away, and Government
 had to repair the breakage.

8099. In other words what you call redundancy in
 1893 has been turned in 1898 into stringency?—Yes,
 but the trade could have got any amount of rupees if
 they had tendered gold to the Bank of England.

8100. The redundancy has been turned into string-
 ency by the action of the Government in closing
 the mints?—Yes.

8101. The fourth reason you gave for saying that the
 rate was fair, was "because a higher rate would have
 put too great a strain upon the new interests which
 had been allowed to grow up upon the faith of the
 existing state of the currency of India." What are
 those new interests?—Those new interests were, all
 the people who had been trading on a basis below 1s. 4d.

8102. We have been receiving numerous com-
 munications from the Indian Tea Planters' Association
 in London, a very strong body, representing, I am told,
 25,000,000l. of capital sunk in tea planting, and repre-
 senting a very large body of shareholders all over the
 United Kingdom. They feel that they have a very
 strong grievance here. That is to say, because they
 started with large capital, having, of course, no antici-
 pation that Government were going to fix the rate at
 1s. 4d. So far as their operations are concerned, you
 will see that the difference between 1s. 4d. and 1s. 2d.,
 which they held ought to have been the rate, makes
 a vast difference to them in laying down funds in
 Calcutta to pay the wages of their coolies. At 1s. 2d.,
 of course, they would get far more rupees than at
 1s. 4d. What is your opinion upon that?—My
 opinion is very clear upon that point. In the first
 place, the tea industry of India commenced long before
 the fall of the rupee, and a great deal of the capital
 that was sent out to start the Indian tea business was
 sent out at a very much higher rate of exchange.
 People engaged in these early operations had no right
 to expect a profit from the subsequent abnormal state
 of the currency. It was an accidental profit quite
 unconnected with the tea industry, and they could
 always secure themselves by making forward contracts
 in exchange. Then, again, the largest of the Ceylon
 tea companies have been brought out in the last two
 or three years, when the promoters knew perfectly

well that the Government was endeavouring to establish a 1s. 4d. rate.

8103. Which company do you refer to?—I dare say you know many of the companies. Their names can be found in the Stock Exchange lists.

8104. I do not know as to that, but I know that the planters of Ceylon and India complain bitterly that they are unjustly used, and that this is hard upon them?—But let me say that it is an unreasonable complaint; it is not a profit that they ought to have expected on the tea industry, but it is a profit on exchange.

8105. You did not answer my question. Suppose that I sell a bill on London when exchange is 1s. 2d., will that be an advantage to me as compared with my having to sell at 1s. 4d. to lay down the wages of coolies in Calcutta?—I have no doubt what you say is quite right, that if they can get exchange at 1s., they will get their money out at a much greater advantage.

8106. Is not a tea-planter entitled, when he puts his money into the soil, to expect that the Government will not, in an arbitrary manner, fix an arbitrary rate?—But the tea-planter put his money into the soil when he had no reason to expect that he would make this profit.

8107. He took the chance of its going up or down; he knew the rate had been 2s.?—He knew the rate was 2s.; a great many of them put their money in at the rate of 2s., and then it went down to 1s. 4d. It was entirely accidental.

8108. You are talking of the people who put in their money 25 years ago, but men who put in their money 25 years ago are in a different position?—The great point is that the trade has been very largely extended since 1893. Properties have been bought and the trade has been very much extended, when they knew that the Government was endeavouring to establish a rate of 1s. 4d., so that they have no right to complain.

8109. What about the people who put in their money when the exchange was 1s. 9d.?—I do not think there are many of them.

8110. (*Chairman.*) I suppose they would make a greater profit if the exchange went down to 2d.?—Yes, and then they would not be satisfied.

8111. Is it the profit on a depreciated currency?—It is the profit on a depreciated currency, and not a legitimate profit to the industry.

(*Sir J. Muir.*) I am afraid you are not justified in saying that they would not be satisfied, because I think none of them would desire to see such a rate or believe it possible.

8112. (*Sir C. Crosthwaite.*) Am I right in understanding that you said that when a maximum rate of exchange for the rupee was established, it would have been advisable to establish a minimum rate at the same time?—I will not go so far as to say that it would have been right to have established a minimum. I do not think the Government would have been justified, not knowing their responsibilities in doing that; but I say that now, having had the experience of 5 years, we have got to a point where it is practically possible to establish a minimum rate without any great responsibility.

8113. How would you do it?—Somewhat after Mr. Lindsay's method.

8114. In relation to the stringency of the money market in Bombay, you mentioned the fact that merchants within your knowledge could not borrow rupees on gold at 25 per cent.?—So I have been told by letters received from Bombay, it is not within my own knowledge.

8115. I want to know why, under those circumstances, they did not take the gold to the Treasury and buy rupees at 15 to the sovereign; would it not have been cheaper?—I cannot tell you why they did not, except that they thought, as many people did, that the rupee would be 1s. 3d. in August. There was a very strong feeling on the part of many people: large transactions were entered into on the basis of

1s. 3d. or thereabouts. It was want of confidence that prevented people taking their gold.

8116. And the feeling that if they did put gold into the Treasury they could not be certain of getting it back?—Just so.

8117. (*Mr. Hambro.*) You spoke of the price of forwards as one of the signs that people did not believe in the rate fixed. The present rate is about 1s. 3½d. Have you any idea what forwards are now?—I do not know. I do not hear much of that.

(*Mr. Campbell.*) It is 1 per cent. up to December.

8118. (*Mr. Hambro.*) You spoke of a duty on silver to make it equivalent to the exchange of 1s. 4d. Did you mean to fix that duty now, or did you mean to have a moveable duty which would move with the price of silver?—First of all, I may say the principle is one thing, and the method of carrying it out is another.

8119. But there are two principles there?—The principle of making silver equivalent to the rupee at 1s. 4d. is one principle. How to do it is another thing.

8120. But had you in your brain the idea of an import duty, moveable or fixed?—I think it should be an *ad valorem* duty.

8121. I wanted to know whether you meant an *ad valorem* duty or a fixed duty?—An *ad valorem* duty.

8122. (*Mr. Holland.*) Did I understand you to say that an alteration of exchange affected the gold price in various commodities?—Yes.

8123. In such a commodity as cotton, for instance; do you consider that an alteration of exchange affects the gold price?—In this country?

8124. Yes, here?—Certainly.

8125. Do you not think that the question of the supply of American cotton is the all-important factor in affecting the gold price?—That is only one of the factors. I say that, all other things being equal, year by year the fall of exchange will very much affect the gold price. Suppose American cotton were the same amount this year as last year, then a fall in exchange would make Indian cotton cheaper in Europe.

8126. You told us that you were in favour of closing the mints in 1893. Has the subsequent experience that has been gained on this subject changed, in any way, your views?—It has very much confirmed them.

8127. Then the closing of the mints as a policy has had the effect that you anticipated?—Yes.

8128. Do you consider the present stringency in the money market has been caused at all by the closing of the mints?—Yes; but the closing of the mints was to be a tentative measure, followed by a further measure. We have now got to the time when I think that that further measure should be put into operation.

8129. And do you think the putting into operation of the further measure would relieve the stringency which everyone admits and deplores?—Most certainly. If people saw that they could get 5 per cent. in India, and only 2 per cent. here, and they saw a reasonable prospect of getting their money back without any great loss by exchange, they would send money out and get 5 per cent. there instead of 2 per cent. here.

8130. I understand that you agree with Mr. Arthur in thinking that it is better not to fetter the Government with recommendations?—It is best not to have any cut and dried scheme. It is for the Government to formulate a scheme that they think will work.

8131. You would give the Government a free hand?—Yes.

8132. But you object to the proposals that the Government of India have made?—I do not agree with all of them.

8133. May they not be taken as indicating what the Government of India would do if they had a free hand?—But, because I disagree with them, that is no

Mr. H. Coke. reason why their policy should be wrong. It is a matter of opinion.

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8134. You have told us that in 1893 you thought there was some redundancy of currency. Do you express an opinion as to whether or not there is redundancy now?—I think that the redundancy is worked off, and that we have got to the point where, in the words of the Government of India, there might be a redundancy at one time and a stringency at another.

8135. Do you think it important that currency should be elastic?—Yes.

8136. If rupees were melted down, does not that interfere with elasticity?—Unless you provide some other means.

8137. You are in favour of a duty on silver equivalent to 1s. 4d. The effect of that would be, as you state, to affect the value of all silver boards, but would you contemplate, at the same time, the re-opening of the mints?—No.

8138. Then what advantage would you expect from that?—This very great advantage, that, whereas some 6,000,000l. or 7,000,000l. of silver go to India as an import, that would be very considerably reduced, and the exports then would exceed the imports of India by the amount of the diminution in the import of silver.

8139. And the Government revenues would be benefited in that way?—The Government revenues also would be benefited.

8140. Then if you would still keep the mints closed it is, perhaps, useless to ask you about seignorage?—I am very strong indeed that it would be unwise for the Government, both from the point of view of trade and from the point of view of the political relations of England and India, to go back to opening the mints. I think that such an important portion of the British Empire as India is, should have the same standard of valuation as England.

8141. Do you admit that silver-using countries have an advantage in foreign competition with India by the fall of silver—China, and so on?—They must have. The most important of the silver-using countries is China, but my opinion is that with the development of China by European influences, and the settlement of this business in India, very likely China will follow suit.

8142. (*Chairman.*) With the full knowledge of this competition with silver-using countries you adhere to your opinion?—I do, because the interest is as 80 to 20.

8143. (*Sir A. Dent.*) When you gave your evidence before the Herschell Committee you told us that you recommended the 1s. 4d., and that exchange was then about 1s. 2d.?—Yes.

8144. Silver, I think, then, was about 3s. 3d.—it was anyhow over 3s.?—Yes, it was over 3s.

8145. Now, what is it?—27½d., I believe.

8146. Is it your opinion that the new exchange to be fixed may be entirely independent of the price of silver?—Yes.

8147. (*Mr. Campbell.*) You say that your experience in the past five years points to 1s. 4d. as the suitable rate?—Yes.

8148. Of course, you are aware that it is only within the last two years that exchange has approached 1s. 4d.?—Yes.

8149. In the first two years after the mints were closed exchange went down to below 1s. 1d.?—Yes.

8150. I suppose it must be on the experience of the last 2 years that you rely in saying that 1s. 4d. is the suitable rate?—I think I explained that in my evidence in chief—that in the first year there was no rise to be expected because of the redundancy, but in the second year a slight portion of the redundancy disappeared, and in the third year a little more; then came the two periods of famine, and it has been only the last year or year-and-a-half when you may say that this new system of the Government has had a

fair chance, and, as I say, the effect of the last two years has been confirmatory of the opinions that I held in 1893.

8151. Do you call years of famine and war and plague normal years to go by?—I say if there had been an ordinary crop and if the trade of India had been normal and not abnormal, this 1s. 4d. rate would have been reached sooner than it was reached.

8152. Are you aware that last year the Council bills were very much curtailed?—Yes.

8153. Do you think that had no effect in raising the rate to the neighbourhood of 1s. 4d.?—Not a greater effect than the cessation of exports. The diminution of drawings was counteracted by the curtailment of exports due to the famine.

8154. You also say that, in your opinion, exchange has no effect on trade?—On export.

8155. On trade generally?—On the export trade, I said.

8156. Then has it no effect on the export trade, and yet an effect on the import trade?—It tends to improve the import trade.

8157. Without affecting the export trade at all?—I can only say that, looking at the volume of the exports from India while this rise has been going on, you cannot say that it has interfered with the export trade.

8158. But do I understand you to say that it does not matter whether exchange is 1s. 4d., 1s. 8d., or 1s. 2d., that trade will go on irrespective of that?—I think it will. It went on at 2s.

8159. Notwithstanding tight money, gold has not gone out to India as currency?—No.

8160. But you are aware that it has gone out to India in large quantities for sale at a higher value than the Government was offering?—Yes.

8161. Do you think that if the Government had offered 16 rupees for a sovereign instead of 15 rupees that would have attracted gold to India as currency? I think not. Until you had settled a basis of exchange at which it should be brought back, I do not think it would.

8162. Regarding trade with China, of which you have a large experience, has that been affected?—Very seriously.

8163. And permanently affected, do you think?—I hope that in time they will put their exchange right in China by establishing a civilized system of currency.

8164. But unless they do that the trade must be very seriously affected?—I question very much the opinions of those people who think that China is going to be a great competitor with India. For the very same reason that people will not send gold out to India, because they do not know exactly at what rate they will get it back, so, I think, they will be found very timid in sending out gold to China.

8165. With regard to a heavy import duty on silver, what effect would that have upon the price of silver in this country?—Theoretically it ought to send it down because it would curtail the demand; but that is not a question for me.

8166. Suppose it did send it down, that would accentuate the difference which now exists between India and China, inasmuch as China is on a silver basis, and India on the basis of the enhanced rupee?—Certainly.

8167. And to that extent it would still further add to the injury to India's China trade?—Yes.

8168. (*Mr. Le Marchant.*) You referred to the withdrawal of capital from India when exchange touched, or approximated to, the maximum point. Do you regard that as having affected the money market, and the rate of discount?—I think that that must have diminished the current supply of money in the financial centres.

8169. In fact, money in India changed hands—it passed into different hands that could not possibly use it for the same purposes of loans and discounts?—

That money was lying in India in banks, or in some investment or other that became available for money supply; when it was transferred to this country by a bill of exchange, the rupees which passed in payment

by the bill, very likely went up country to pay for produce, and so reduced the loanable supply of money.

8170. In short, it was a material fact—not a formal set of book entries?—It was a material fact.

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The witness withdrew.

Mr. EWEN CAMERON called and examined.

8171. (*Chairman.*) You are the manager of the Hong Kong and Shanghai Bank in London?—Yes.

8172. How many years have you been at the head of that bank?—In London I have been for eight years.

8173. How long have you been connected with the banking of India?—For over 30 years in India and China.

8174. I suppose you are not authorised to represent the bank here as a bank; you are simply giving us your individual opinions?—My individual opinions.

8175. And your directors will be in no way bound by what you say?—In no way.

8176. Now, were you in favour of, or opposed to, the closing of the Indian mints?—I was opposed to the closing of the mints.

8177. Will you tell us why?—I thought it would interfere with the natural course of trade in India.

8178. In your judgment, what have been the effects on the trade of India of the closing of the mints?—The trade of India, to begin with, suffered, but since then the trade has adjusted itself, and has been going on more satisfactorily.

8179. Do you mean that there was a temporary injurious effect which has now been met by a general re-adjustment, and that trade has now resumed the normal condition?—I think, to a certain extent, trade has resumed its normal condition. It has been interfered with by abnormal seasons of late and also by the great monetary stringency, which I attribute to the closing of the mints.

8180. Is there a want of confidence in the future of the Indian currency?—I think not. Misgivings have been felt in some quarters, but, speaking generally, I think there is no want of confidence in the future of the currency of India.

8181. Will you give us a little information as to the recent stringency? Just state, from your own point of view as manager of the Hong Kong and Shanghai Bank, what was the extent of the recent stringency of money in India?—I am not competent to speak of what is going on in India generally, but it is a well-known fact that the bank rate was 13 per cent., and that great inconvenience was caused to trade by the excessive rates—that merchants could not get accommodation at reasonable rates.

8182. Do you think the reason why they could not get accommodation was entirely the scarcity of currency?—Undoubtedly.

8183. You are aware that they could have obtained additional currency by either importing or depositing gold?—Yes.

8184. Why did not they avail themselves of that?—Large quantities of gold were imported, but the Government price was below what could be got for it in the bazaars.

8185. Do you think the mints should be re-opened?—I do not.

8186. Do you think that that would be injurious to the trade of India?—I think it would be very injurious to the trade of India, to begin with. It would dislocate trade entirely, for a time.

8187. You are aware, no doubt, of the various policies that have been proposed—the proposals of the Government of India and the proposals of Mr. Lindsay. What is your opinion as to the proper policy that should now be adopted?—I have a strong idea that sufficient time has not yet elapsed from the closing of the mints to form a positive opinion, or to formulate a policy. Even under ordinary circumstances, after such a radical change as the closing of the mints, five years is too short a period, and of those five years

two have been very abnormal years owing to famine and plague, consequently I think we are not yet in a position to form an opinion. My own idea is that the formation of this Committee has been premature; but as it has been formed, my idea is that it should adjourn from time to time and gather information, and issue its report two years hence.

8188. I am afraid that that would be arrogating to ourselves the functions of Government. As we are appointed by the Government, it is our duty to make a report. However, I understand your point is that sufficient time has not elapsed for the fair trial of the experiment?—Exactly.

8189. The experiment (you will correct me if I am wrong) being to make silver coins in India a token currency, and, by some means or other, endeavouring to have a fixed rate of exchange of 1s. 4d.?—Exactly.

8190. That experiment you would wish to see tried a little time longer before you express an opinion favourable or adverse to it?—Yes.

8191. Have you any opinion of your own with reference to the desirability of a gold standard for India?—I think a gold standard is desirable if you can fix the ratio between gold and the token coin at a rate that would be advantageous to India.

8192. Have you any idea of your own what the rate should be?—I think we have not had sufficient experience. It may prove to be 1s. 4d., as the rate is tending to 1s. 4d. just now; but there is evidence, judging from the last five years, that 1s. 4d. is too high. No gold has been sent in to the Government. Although large quantities of gold have been sent to India, the Government have not got any of it.

8193. Do you think if the rate were fixed at 1s. 3d. they would have got gold?—Possibly; it is more likely than at the higher rate.

8194. Have you thought at all of the possibility of a higher rate than 1s. 4d.—say, 1s. 6d.?—No.

8195. Now I am going to your China experience. Do you consider that India is handicapped in competition with China to the extent of the difference between the bullion and the exchange value of the rupee?—No; not to that extent.

8196. To any extent?—To some extent.

8197. What is the currency of China?—We have had no authoritative information upon that point. Theoretically, and to some extent in practice, copper cash is the currency of China. In all retail transactions, copper cash is the standard of value. For large transactions silver Mexican dollars and the Carolus dollars are used. The Carolus dollars are the old Spanish dollars.

8198. Where are they coined?—They were coined by Spain, but they are almost extinct.

8199. For retail purposes the currency is copper cash?—Yes. When the European merchant buys from the Chinese dealer, he pays in silver; the native dealer with that buys dollars and copper cash to pay the growers for their produce.

8200. Do you think that recent political events will have such an effect on the trade of China as will result in a new development altogether?—I think so.

8201. Would that, do you think, at all affect the currency?—The currency of China will have to be reformed when that takes place.

8202. Have you any opinion as to the benefit or the disadvantage of a falling exchange on trade?—My opinion is that a falling exchange does benefit trade.

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8203. To any great extent?—It is only one element in many conditions that help it, but it tends to do so.

8204. (*Sir F. Mowatt.*) Did you say a falling exchange or a fall in exchange?—Well, a fallen exchange—a low exchange.

8205. A permanent low exchange, and not a falling exchange?—Yes.

8206. (*Chairman.*) Seeing that the closing of the mints has, apparently, not had the effect of stopping the import of silver, are you in favour of the Government adopting any policy to impose a duty on silver?—No; decidedly not.

8207. Do you think that that course would involve a serious fall in the price of silver?—It would involve a serious fall in the price of silver.

8208. And that, I suppose, would dislocate our trade with silver-using countries?—It would. Before the closing of the mints the trade with silver-using countries, as we have heard here to-day, was one-third, now it is only 20 per cent. If a further serious fall in silver takes place, I think there is great danger of losing the trade entirely.

8209. As a banker, have you any strong objection to the Government withdrawing a large quantity of silver from circulation and melting it?—Decidedly.

8210. You object to that?—Yes, strongly.

8211. (*Mr. Campbell.*) You say you think we have not had sufficient experience yet to judge of the proper course to follow with regard to the currency?—That is my opinion.

8212. But you are aware that money has been exceedingly tight in India during the last two years?—Yes.

8213. I suppose you agree that, in all probability, if nothing is done, the stringency will be repeated, and be worse this year and next year?—Yes, that is my opinion.

8214. Have you any idea of mitigating that in any manner while we are waiting, according to your suggestion?—That is a question I am not prepared to speak of with confidence, as of late I have not had much experience of purely Indian finance. I notice, however, that, similarly to our experience in this country, the in-gathering of the revenue in India tends to deplete the money market for the time being. The months when the Government balances stand highest coincide with the shipping season, and the influence of trade and revenue collection coming together naturally tends to make money dear. I therefore think that there ought to be no great difficulty in devising a scheme by which the Government balances should be made available to relieve the situation during the busy seasons; the withdrawal of these funds later on would prevent undue ease during the slack season, and so tend to keep a more even rate all the year round.

8215. The money is kept in the Treasury just at the time when trade wants it most?—So I gather from the statistics.

8216. And if it could be made available for trade purposes at that time, it would prevent the extreme stringency we have seen?—Yes.

8217. Of course, you are aware that the Government now at the busy season let out their balances very freely by selling Council bills?—Yes.

8218. In addition to that, how would you make the money available to the market?—I think it might be done through the Presidency banks against Government paper.

8219. You would lend the surplus balances to the Presidency banks against Government paper?—Yes.

8220. And they, in their turn, would lend out the money to their customers as they wanted it?—Yes.

8221. Then when the busy season was over, I suppose these loans would be re-called?—That would be the idea, to re-call the loans and so tighten money up again in the slack season.

8222. So as to get money as near as possible at an even level throughout the year?—Yes.

8223. You say that no gold has gone in as currency to India since the mints were closed?—Practically none, because it always fetched a better price in the bazaar.

8224. Do you think that there would be more probability of gold going in as currency if the Government offered a better price for it?—There I must come back to my first idea, that we have not had sufficient length of time to come to a decision, but seeing that it did not come in at 1s. 4d., I think it is only fair to assume that it would have a better chance at a lower rate.

8225. I suppose you admit that the fixing of the ratio is a very important part of the whole affair?—The most important part.

8226. What is your idea of how that proper ratio should be arrived at?—After the experience which I wish to have and the evidence I suggest that you should collect, we shall be able to form a conclusion. If gold begins to flow into the Government Treasury at 1s. 4d., then I think 1s. 4d. should be the rate. If we find that gold does not come in at 1s. 4d., then we must assume that a lower rate is necessary. The rate at which gold flows freely into the Government treasuries I take it to be the correct rate.

8227. Then you would be guided by experience?—I should be guided by experience.

8228. You would rather be guided by experience than, say, that the Government should fix upon a rate of their own, and force that rate on the market by artificial means?—Decidedly.

8229. We have heard a good deal about the example of Japan, which went on a gold standard some time ago, and we have been told that Japan is losing her gold. Have you any idea of the condition of Japan as regards her trade balances?—Last year was an abnormal year for Japan as well as for India. There was a scarcity of rice which compelled them to import very largely and put the balance of trade against Japan.

8230. That is exceptional, of course?—That is exceptional.

8231. I do not know whether you noticed in last week's "Economist" some particulars of the foreign trade of Japan?—I did not see it.

8232. The foreign trade of last year showed a balance of imports as against exports of merchandise of 56 million yen?—That I can quite understand.

(*Chairman.*) What would that be in sterling, roughly?

8233. (*Mr. Campbell.*) It would be about six millions sterling. That is the balance of trade against her?—Yes.

8234. Then, this year, for the four months the surplus imports of merchandise have been no less than 50 million yen. On the other hand, she has exported gold to the extent of 44 million yen. With a balance of trade such as that against her, are you surprised that Japan is losing her gold?—Not at all.

8235. It is the natural thing?—It is the natural consequence.

8236. The silver yen was called in when the gold standard was adopted?—Yes.

8237. And a large proportion of the yen have been exported to other silver-using countries?—Yes, a large proportion.

8238. Is there much of the yen left in Japan, do you think?—We cannot tell positively, but as far as our information goes, there are still 30 millions of yen available for sale.

8239. Does that include subsidiary currency?—No.

8240. Have you any information as to the amount of yen in circulation when the change was made?—No. On account of the large exportation of yen to Singapore and the Straits and different places, we have no means of arriving at that, but the total amount of yen coined by the mint amounted to 168 millions.

8241. That is about 20 millions sterling?—Perhaps not quite so much.

8242. (*Sir A. Dent.*) Since when is that?—Since the mint was opened.

8243. (*Mr. Campbell.*) I suppose, during these years, since Japan demonetized the yen, a very large amount of silver must have been sold in that form?—A considerable amount.

8244. (*Sir F. Mowatt.*) In Japan, do you mean?—Sold by Japan.

8245. (*Mr. Cambell.*) Do you think an amount sufficient to have a very appreciable effect on the price of silver in the world?—As a matter of fact, since Japan commenced to sell, from other causes silver has been going up.

8246. But if Japan had not been selling, might not the rise have been more pronounced?—Distinctly. It has been a factor, and a very important factor, in the price.

8247. Now that that is really at an end, of course that factor will cease?—That factor will cease, and silver will have a better chance by so much.

8248. You say that the chief currency of China is copper cash?—For retail transactions. For large transactions it is silver.

8249. That is to say, the European merchant pays silver for the silk or tea that he buys, and the seller of the silk or tea has to convert that silver into copper cash?—The native merchant converts it into copper cash through which he pays the small grower. The grower gets his payment in copper cash.

8250. How is the value of copper cash now as compared with what it was five or six years ago?—Since the closing of the mints, copper cash has advanced about 15 per cent., that is, speaking generally—it is quite 15 per cent.

8251. The same amount of silver would buy 15 per cent. less of copper cash than it did before?—Yes.

8252. To that extent has that reduced what you may call the handicap on India as compared with China?—Certainly.

8253. Are there any other charges which go to diminish that handicap?—There is an export duty on produce in China.

8254. Tea and silk have to pay an export duty?—Yes, tea especially suffers very much as the export duty is not *ad valorem*, but by weight, and consequently while it is comparatively light on high priced tea, it is very heavy on common and cheap grades.

8255. With these two influences, the higher price of copper cash and the export duty, the handicap is very much diminished?—As regards tea, yes.

8256. As regards tea or any other produce?—I do not know that there are other articles that compete very much with India. Tea is the principal thing; silk to a very small extent.

8257. Have you any idea of the extent of these export duties?—I will put it in this way. The price of tea varies from 70 taels to 8 taels per picul, and the export duty is a little over two taels per picul. On a 70 tael tea the export duty is small, but on an 8 tael tea it is 25 per cent.

8258. Would 10 or 12 per cent. be a fair average? I should say 15 per cent.

8259. Then, taking 15 per cent. for export duties and 15 per cent. for the higher price of copper cash, the handicap is very considerably diminished?—But the exchange has gone down by 36½ per cent. since the closing of the mints.

8260. There is still a large margin?—No, there is very little margin; you have 15 per cent. and 15 per cent., making 30 per cent.

8261. (*Sir A. Dent.*) Then there is the likin?—That is included.

8262. (*Mr. Hambro.*) You say that the price which ought to be fixed for the rupee ought to be somewhat determined by experience of what exchange does; but has not the Government rather burnt its boats, so to speak? I mean, having fixed a maximum, is it not very difficult to find out what the exchange suits itself to? If you removed the maximum, you would find out; but as long as you have the maximum of 1s. 4d., as soon as it gets near that, every

conceivable plan is adopted to try and evade the maximum?—Exactly.

8263. Therefore, if you wanted to get at really what exchange would go to, you would have to remove the maximum?—I see the difficulty of the Government in doing that; but once they arrive at the correct rate of exchange, the difficulty will be got over.

8264. It would have been easier if there had never been a maximum fixed?—But they wanted the gold to go into the country.

8265. But they never got any?—They never got any.

8266. Perhaps they would have got it the other way more easily. I only want to know whether, to get at the exchange, you would remove the maximum, and, as Mr. Bertram Currie proposes, leave it to arrange itself?—Theoretically, that is right.

8267. If you put a limit on one side and on the other, you never quite know what you can do?—Just so.

8268. Would you advise, then, the taking off of the maximum?—No.

8269. Now that the maximum has been put, you would keep it?—Yes.

8270. (*Mr. Le Marchant.*) Do you think it would counteract the prejudicial effects of a fixed maximum if Government were to undertake to give gold or sterling for rupees at a fixed minimum?—I think if a minimum were fixed it would give confidence; but, as I said before, until we have by experience found out what is the rate that suits the country, that cannot be done. When that is arrived at, then we should fix a minimum as well as a maximum.

8271. You were speaking of some measure to keep discount rates at a more even level throughout the year. Supposing anything of that kind were possible, would it be consistent with a favourable rate of exchange—would it interfere with the rate of exchange in any way?—Do you mean the lowering of the rates of discount?

8272. Yes, on the average?—The tendency of exchange is to get easier with cheaper money.

8273. Do you think lower exchange is a direct result of cheaper money, or that they both arise from the same set of circumstances?—From the same set of circumstances.

8274. In speaking of Japan and the loss of gold by the Government, may that have been caused by exceptional expenditure on the part of the Government? They have had a period of expenditure on reforms, and so forth?—As a matter of fact, I think that that exceptional expenditure has been met by the indemnity that they get from China. Really the gold was exported to adjust the balance of trade.

8275. There may have been excessive expenditure on the part of the whole country. The balance of trade being against it shows that the country has been taking imports to a very considerable amount without corresponding exports?—There are exceptional reasons for that this year. There was a scarcity of rice, and there is a prospect of the revision of the tariff, which has stimulated imports.

8276. If such a development of China took place as you speak of as being possible, would that lead to an introduction of foreign capital into China? It would hardly be possible without it, would it?—China must have foreign capital to develop it.

8277. If that came in largely from gold-using countries, would it lead to an adjustment of prices, an alteration of prices in China? Do you think prices in China would gradually rise?—The prices of commodities, you mean?

8278. Yes?—It is difficult to say, there are so many causes that affect prices. The price there has to correspond with the price here to some extent.

8279. But the more China is brought into relation with foreign countries that use gold, there will be more conditions bearing on the alteration of prices?—The more she exports, I take it, the cheaper prices will become. China, so far, has only the benefit of low exchange and cheap labour. Later on, the

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country will be opened up, and communication will be cheaper; we know that in India cheap communication has helped enormously to develop the trade of the country. So far, China has had very little but the exchange to help her in competing with other countries.

8280. Do you think that, if she had something more, if she had capital, there would be a greater tendency towards an equalization of prices in China with prices in other countries?—I think so; but then, again, probably we should consume more on this side; there might be a greater demand. That we shall get more produce from China in time there is no doubt whatever.

8281. (Sir A. Dent.) You said the difference in the copper cash now as compared with some years before was only 15 per cent. Is there not evidence in the Consular Reports and other documents that more often it is considerably greater than 15 per cent.?—It varies very much, no doubt. I have taken my figures for one month in each year since 1893.

8282. Then that copper cash is a very uncertain coin: it has depreciated very much in China?—Yes; there is no standard such as we have with the silver coin.

8283. It is adulterated with lead and sand and all sorts of things?—Yes.

8284. So that sometimes the difference is more than 15 per cent.; it might be 30 or 40?—In some places, no doubt.

8285. Have you heard anything of the Foochow Tea Improvement Company?—Yes, it was established last year.

8286. It is a very small concern, is it not?—And consequently, I understand, it has not been the success that was anticipated. First of all it was a success, but there has not been a sufficient quantity of tea treated to make a market for it.

8287. China, owing to the way she is piling up debt, will very soon have a question to solve, such as India has, as to large remittances home?—Certainly.

8288. And that will probably force her into some new currency system?—The first thing that will force China into a new currency is the construction of railways under European administration. There are several mints established in China, but not a national mint. Several of the viceroys establish mints of their own for coining silver into dollars and subsidiary coinage.

8289. Are they taken freely in China?—Only locally.

8290. As regards the stringency of money, we have often been told here that it is in a measure owing to the banks having sent their capital home. Can you give us an opinion about that?—I think the fact of the banks sending capital home cannot have had very much effect. In the first place, the capital of the exchange banks could not have been very large as compared with the trade of the country. As far as regards the bank which I represent, our capital has not been removed from India; it was not comparatively a large amount that we had, and it has not been removed. Our capital is on a silver basis, and it naturally remains there. As regards other banks, perhaps Mr. Campbell can tell you better than I can, but as a rule I think the capital held by the banks in the East has been taken away. But, on the other hand (I am also open to correction here), I believe the fact remains that all the exchange banks now employ in India as much money as they ever did. The removal of the capital from the East is more or less a matter of book entry.

8291. The capital which was formerly applied in rupee form is now applied in gold form?—Exactly.

8292. As a matter of fact, very nearly all the capital of the banks was remitted home years ago?—Yes.

8293. It was in the case of the Chartered Bank of India, Australia, and China, and I believe the National Bank and the Mercantile bank, too?—Yes.

8294. The money of the Chartered Bank was remitted at least ten years ago?—I think you may say the same of all the other exchange banks.

8295. (Sir D. Barbour.) You know, of course, that India has always been liable to have high rates of discount at certain periods of the year—in the busy seasons?—Yes.

8296. And sometimes, before the mints were closed, those rates of discount have been very high?—Yes.

8297. But the high rates of discount in the last year or two seem to have lasted longer than was formerly the case; they have been very high, and the high rates have continued for a longer time?—It has been so.

8298. That is ascribed, no doubt, with more or less justice to the closing of the mints. Now, can you explain exactly how the closing of the mints brings about this stringency? Of course, people say want of currency. I daresay you admit that currency and loanable capital are not quite the same thing. I do not think that merely to say it is want of currency will explain it. Can you give any fuller explanation?—The trade of India has been expanding, and there has been no addition made to its currency since 1893.

8299. But is a contraction of the currency necessarily the same thing as a contraction of loanable capital?—No.

8300. That is to say, that all the rupees that ever were in India are there still, although they are not in the banks, and not available as loanable capital?—When the trade expands, there is a larger area to be covered by the same number of rupees.

8301. But the proportion in the banks is not the same as before?—No.

8302. If, now, a number of merchants—natives of India—had saved money to the extent of 5 crores, and were to lodge that in the banks, the stringency of money would be removed?—Yes, by so much.

8303. Although there had not been a rupee added to the currency?—In the case you put, the 5 crores were taken out of savings, not withdrawn from circulation; so when deposited with the banks they would be added to the active currency of the country.

8304. It is adding it to that portion of the currency which is ready to be lent for the purpose of trade?—Yes.

8305. I suppose when the Government borrows in India, that tends to take some capital out of the market?—If the Government locks up the rupees it gets, undoubtedly.

8306. Or even if the Government spends the money in the construction of railways in the interior?—Then the money is released.

8307. But does it necessarily follow that it will go into the bank?—Not necessarily into the banks, but if not, then into the country generally.

8308. Does not the rate of discount depend on the balances in the bank, and not on the money circulating in the interior of the country?—I think the two go together. If money is abundantly circulated in the country, it finds its way naturally into the banks, because the import markets are affected by cheap money.

8309. It might find its way?—The tendency is for it to find its way there.

8310. But it might circulate and not come back to the banks?—It might take some time to come back.

8311. It might, or it might not?—In England you would know what became of it, but in India it is not so easy to trace.

8312. Now, I suppose the depositors—the men who used to deposit money in the banks—have taken advantage of the high rate of exchange, and sent their money home?—Naturally, to some extent.

8313. I suppose everybody connected with India has known instances of that?—Yes.

8314. And I suppose, again, the effect of the famine would be to use up capital for the time being?—Naturally.

8315. All these causes would add to the stringency?—No doubt.

8316. Now, as regards the Government assisting to keep down the rate of discount in the busy seasons

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—do you know exactly where the Government balance is placed in India?—Not exactly.

8317. It is some time since you have been in India?—Yes, 25 years now.

8318. There is a portion kept, as I daresay you know, with the Presidency banks?—Yes.

8319. And there is a portion kept in a separate Treasury belonging to the Government in each of the Presidency towns?—Yes, in the reserve treasuries.

8320. And the rest is in the various district treasuries scattered all over India?—Yes.

8321. You have not suggested any means by which the Government should give assistance?—I have pointed out what to my mind causes the stringency, and I have left the means of relieving it to those who have better local knowledge than myself.

8322. It used to be the case that in times of great stringency, supposing the published rate of discount at the Treasury banks was (we will say) 12 per cent., the Government would lend money to the Presidency banks at 12 per cent. for the time. Do you think that that was a reasonable thing?—Yes.

8323. The Presidency banks, or some of them at any rate, have objected that that was too high—that they should get money from the Government below their own minimum rate?—I think if the Presidency banks are not able to supply out of their own funds the currency required, they should pay their full minimum rate to the Government.

8324. I may say that there is this difficulty about the Government keeping a large proportion of their cash in the Presidency banks, namely, that the Government balance is so large and the private balances are comparatively so small, that if any great emergency occurred the Government might have a difficulty in getting its money out when it required it?—That is a difficulty, undoubtedly.

8325. Another difficulty is that the Government collecting its revenue at a great many different places throughout India, must find it difficult to get their money quickly into the Presidency towns. For instance, the money they collected at (we will say) Quetta could hardly get down to the Presidency town under a week?—That may be so.

8326. Then, another difficulty—I do not know whether you consider it to be one—is that Government has felt that if it permanently and continually helped trade in India, it would lead trade to depend on the Government balances, and it might be necessary suddenly to withdraw those balances, and that would cause a great deal of evil. Do you think there is anything in that?—Yes.

8327. And you think that to lend the Presidency banks money at their published minimum rate is reasonable?—The Government should do that as far as is consistent with their own safety.

8328. You think that the banks and the public would have no complaint against the Government if the Government charged that?—No, that is all I think the Government can do for them. Of course, they can increase the Council drawings.

8329. So that if any bank was able to get money at, say, 12 per cent., its published rate, from the Government, and a customer went to that bank and offered 18 per cent. with perfect security, and the bank said, "We cannot find the money," that customer would be hardly treated; that is always on the assumption that the bank could get the money at 12 per cent. from the Government?—The fact of the bank being able to borrow does not carry with it the obligations to lend to all comers. Suppose I get a deposit at 4 or 5 per cent.: times of great stringency come later on, and I refuse to lend to my customer at 8 per cent., I do not know that there would be a great grievance as regards that particular deposit.

8330. Suppose the bank could get money from the Government at 12 per cent., but because they thought that rate high the bank would not borrow from the Government; and then, suppose a customer came to the bank and offered 18 per cent. and the bank refused

on the ground that it had not got money?—Then that would be hard on the customer.

8331. I do not say that that has occurred; I am putting a hypothetical case?—If it were known that the Government were prepared to lend money at a certain rate, it would have much the same effect as suspending the bank rate here—it would create confidence.

8332. I think that ought to be a great relief to the stringency if it could be done safely?—Quite so, it would have a great moral effect.

8333. You heard the questions that I put to Mr. Coke about the evasion of the maximum. Do you agree with his answers generally that that tendency to evade the maximum, although it may keep down exchange at the moment, and perhaps prevent gold from going to India at the time, would have the effect at a subsequent period of keeping up the exchange?—Yes, I think that is so.

8334. And, of course, if that evasion of the maximum was carried on under all circumstances, and, to a great extent, you might find that what used to be the minimum was as high as the maximum?—Yes.

8335. You do not propose, in any case, to go above a rate of 1s. 4d. now for the Indian gold standard?—No, we have not yet come to the 1s. 4d.

8336. So far, you have not expressed the opinion that it is necessary to have a high rate of discount in order to have a high rate of exchange?—Not necessarily; in fact, it might be the other way. A low rate of discount (and I call 3 or 4 per cent. a low rate for India) would mean dull trade. I call 6 or 7, perhaps 8 per cent., a healthy rate, and consistent with active trade. That would probably have a better effect on exchange than a rate of 12 per cent., where people would find difficulty in moving their crops.

8337. Other things being equal, a low rate of discount is a good thing for trade?—Undoubtedly.

8338. If you had a big trade with a 3 or 4 per cent. rate, if it was possible, that would be a good thing?—Yes.

8339. If you could supply a sufficient amount of capital at that rate?—Yes.

8340. You said there was a tax on the export of tea from China. That is not a new tax?—No, it is an old tax.

8341. You expect greater exports from China when the railways are made. What do you think they would be likely to be?—There will be an expansion of the present commodities.

8342. What are those chiefly?—Tea, silk, hides, straw-plaits, and a large body of miscellaneous goods which have come in since the fall of exchange which were never exported before. If we give China the benefit India has of improved railway communication along with low exchange, we may have still further exports, and probably new articles which we do not know of now.

8343. And China having to pay interest on a large debt must export more?—Yes.

8344. Therefore, apart altogether from the effect of the competition produced by the silver standard, it is to be anticipated that under any circumstances India will have to encounter more competition with China in the future?—That will be so.

8345. (*Sir J. Muir.*) This copper cash is a new thing to me, and I should like a little information from you about it. What is the value of the copper cash; what is it called, to begin with?—Copper cash is a copper coin.

8346. Made by whom?—By the Chinese.

8347. By the Government?—By the Government, practically; that is, each provincial Government manufactures its own copper cash.

8348. Then is there any way of testing its value by the Government?—It is very inferior in some places. There is a report here which explains how, in some districts, it is inferior to what it is in others.

8349. There is no test of its intrinsic value?—No.

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8350. What is the value compared with pice in India?—Take the tael; that is worth now 2s. 7d. You would get 1,100 or 1,200 copper cash for a tael.

8351. Is that the only coin they have?—For retail transactions in the interior. A man will carry a string of these about with him.

8352. Anybody could refuse to accept one if he thought it adulterated?—Yes.

8353. In point of fact, is that done?—Yes.

8354. Are they always accepted at the same price?—If a man sees one that is obviously wrong he will turn it out, just as a man here will refuse a false or worn sixpence.

8355. What is the size of the coin?—About the size of our shilling.

(Sir A. Dent.) They vary; some are the size of a fourpenny-bit; some, the size of a shilling.

8356. (Sir J. Muir.) What is the value of the tael?—The exchange value of the tael at the present moment is 2s. 7d. It is a fixed weight in silver—565 grains of silver.

8357. And the dollar?—The dollar is 1s. 11d.

8358. Those are the Mexican dollars?—Mexican dollars; that is the exchange value of them.

8359. What do you fancy to be the intrinsic value of the dollar—the solid silver in it?—According to the exchange; it is based upon its intrinsic value.

8360. Is it a little larger than our rupee is?—It is double the size of the rupee.

8361. And it sells just now at 1s. 11d.?—That is the intrinsic value of it at present, and the exchange value, too.

8362. Now, to go for a minute to the question of the action of the Government of India in regard to the Presidency banks, especially the Bank of Bombay, for it is in connexion with that that I have got the most specific information. The manager, under the instructions of the directors, applied to the Government when they found the stringency coming on, and that they would be unable to meet the applications from their customers. They explained the circumstances to the Government, and said, "We are offered Government paper; we should like to oblige our customers, but we have not the means of doing it; will you lend us on such and such securities as many rupees as will enable us to meet the demands of our customers?" They were absolutely refused, point blank refused. Naturally that created a very bad feeling in Bombay, an exceedingly bad feeling. The feeling seems to be that, instead of helping merchants and others in Bombay who are solvent, and who have the means of carrying on their business, the Government refused to advance this money, the only reason being that their object was to maintain the 1s. 4d. rate. If that is really so, what is your opinion of that action of the Government?—I should think it would be very rash to judge the Government by the case you put. The Government conceivably might have many reasons for not advancing the money. In the first place, it is a very serious step for the Government to interfere in commercial matters, quite as serious as the suspension of the Bank Act here. They probably thought that the crisis was not sufficient to justify anything like the suspension of the Bank Act, and that they ought not to create a precedent. Remember that the banks at that moment had a considerable amount of Government money in their hands, and probably the Government did not feel justified in giving them any more. Then you have not said whether or not the Bank of Bombay were prepared to pay the Government a reasonable rate for the accommodation. Of course, that is a secondary matter, because I take it that the Government would not have haggled over the terms.

8363. I presume that the Bank of Bombay, being offered 18 per cent., they would have been willing to give 13 per cent. He would be a foolish manager who would not pay 13 per cent. for money that he could lend out again at 18 per cent.?—But cannot

you conceive a case where the Government would not wish to be a party to giving money to a bank at 12 or 13 per cent. in order to enable the bank to charge 18 per cent. to their customers?

8364. I can conceive it if it was their policy to maintain their rate at 1s. 4d.; but if it was their policy to assist the commerce of the country, I think if I had been a member of the Government I should have said, "Here is a bank who are perfectly solvent, they are so pressed that they cannot lend money to their customers; we will lend the money to the bank—the securities being always ample—Government paper"—I agree with you that it is most desirable to assist the commerce of the country, but I do not know whether we are in a position to judge as to the action of the Government, not having the facts before us. I entirely agree with you that it would have been wise for the Government—other things being equal—to have relieved the stringency, because the prosperity of the country and that of the Government are identical. It is the interest of the Government to foster the prosperity of the country by every means.

8365. Is it not the fact that, prior to 1893, the Government did lend more freely to the Presidency banks than they have done recently?—I have not the figures before me; the bank returns would show that at once.

8366. (Sir F. Mowatt.) You explained to us that the high rate during the busy season was attributable to the scarcity of currency, and you were asked whether that could not be met by tendering gold to the Government, and getting rupees. I think the answer you gave was, because the Government gave a smaller price than could be obtained in the bazaars?—Yes.

8367. But if a man having gold and desiring rupees could get more from the bazaars than he could from the Government, why did not he go to the bazaars?—As a matter of fact he did go there.

8368. But the purpose of this particular man was served, because he got his rupees?—Yes, he got his rupees from the bazaar.

8369. And if he could not get the rupees at the bazaar, he could have got them by going to the Government, unless the price was prohibitive?—He could have got them at the Government price.

8370. Could you tell me how much the bazaar price was below the price charged by the Government?—The price in the bazaars fluctuates day by day. Perhaps Mr. Campbell can tell you.

(Mr. Campbell.) The difference would be 1 per cent.

8371. (Sir F. Mowatt.) Therefore, the 1 per cent. on his capital is the extreme price that he would have to pay for his rupees?—If he had sacrificed 1 per cent., he would have got rupees from the Government.

8372. I suppose everybody in India has been greatly impressed by the rate going up to 12 and 14 and 20 per cent. in the busy season, but I should like to know how that compares with rates in this country. That is to say, a 10 per cent. rate in India does not correspond with a 10 per cent. rate in this country, does it? The normal rate in India is higher?—That is so; we are not accustomed to such rates here, as in India.

8373. Could you give some sort of comparison? Take it at 3 per cent. in the busy season and 5 per cent. in the slack season—what sort of rates would they correspond with in this country?—I must ask my friend here.

(Mr. Campbell.) You may say 2 per cent. as a minimum and 5 or 6 per cent. as a maximum in London.

8374. (Sir F. Mowatt.) Would you say that when 13 per cent. was being charged in India it was practically the same as 6 per cent. in London?—Yes.

8375. You said you think that the proportion of Indian trade with gold standard countries and silver standard countries had altered a good deal since the

closing of the mints, that is to say that it had gone from two-thirds to about eight-tenths?—Yes, we have heard that in 1893 the trade with silver using countries was one-third and now it is 20 per cent.

8376. Should you say that that was caused by an increase in the amount of the trade with gold standard countries or an actual falling-off in the amount of trade with silver using countries?—It was an actual falling off in the trade with silver using countries owing to the effect of the difference in exchange through the fall in silver.

8377. Not an increase in actual trade with gold standard countries?—I can imagine an increase in the actual trade with gold standard countries without a falling off with silver-using countries.

8378. It would interfere with the proportion?

There are some articles which you export between the two countries which would not go to gold-using countries. For instance, opium would under no circumstances go to gold-using countries.

8379. Does that comparison stand, considering that the comparison before was with a much larger number of silver standard countries and a smaller number of gold standard countries, and the gold standard countries have increased in number, and the silver standard countries have decreased in number considerably during the last 10 or 15 years?—At the present moment, the only country that I can think of is Japan, and she fixed her ratio so low, that it has not had the same effect as it otherwise would have had. Her ratio is fixed at 2s. 0½d. per dollar.

8380. Do you say that that is the only one?—It is the only one of importance that I can call to mind at the moment.

8381. You said that the development of European influence and capital in China would, no doubt, make her a more serious competitor for external trade than she is at present?—Yes.

8382. Knowing what you do of Chinese institutions and character, do you suggest that that would be felt immediately, or might not even a generation pass before there is any very great increase of active competition? The competition of China will go on increasing year by year. As we have seen already, during the last 10 years, the trade has increased very largely, and I should look for that increase going on; but it is only, perhaps, as you say, in the course of a generation that it will increase by leaps and bounds.

8383. (Chairman.) With reference to the present position of the Japan gold currency, the large export of gold has been caused by the rice famine?—Yes, amongst other things.

8384. Suppose there was a complete failure of the wheat crop in this country, would not there be a large export of gold from this country which would affect, no doubt, the price of money in this country?—Decidedly.

8385. Then, supposing that Japan as a nation—I do not for a moment say that it is so—but supposing she indulged in extravagant or unwise expenditure—expenditure beyond her present means, would not that also tend to cause a drain of gold?—Certainly.

8386. Now, with reference to Chinese competition, I understand that so far as tea is concerned, you consider that the difference which I think you have put at about 36½ per cent. caused by the rise of exchange to 1s. 4d. was practically met by copper cash having advanced 15 per cent., and also by the taxes—that China was handicapped to that extent—35 per cent.?—Yes. The fall in exchange since the year 1893, when the mints were closed, to the present date, is 36 per cent. The rise in copper cash is 15 per cent. at least, and the duty you may call 15 per cent.; and that neutralizes the effect as compared with India.

8387. In fact, the advantage which China gains by the fall in the bullion price of silver is met, and so to speak balanced, by the increase of 15 per cent. and 20 per cent.?—That is so in the case of tea.

8388. Therefore, practically, you do not attach very much importance to the competition with China, so far as the price of bullion is concerned?—Just so; in the case of tea.

8389. Now, has not the Japan standard, supposing it is maintained, practically fixed the value of the rupee at 11d.? The price Japan has fixed for the yen is equivalent to a rupee price of 11d.?—I take it that is so.

8390. Then, supposing that the mints were opened, what effect would that have upon the possibilities of a rise or fall in the exchange value of the rupee?—If the mints were opened, I should say the tendency of the rupee would be to fall, to begin with.

8391. To fall below the 11d.?—There are so many different factors; it is difficult to speak positively.

8392. I will put it the other way. Could it rise above 11d.?—It might rise above 11d., because in the event of India re-opening her mints Japan might have to go back to silver again, and there are many other cases that I could easily conceive that might cause a rise instead of a fall.

8393. Assuming there is no change, the ratio at which the Japanese yen has been fixed would be a barrier against a rise above 11d.?—Yes; but only so long as Japan had silver to sell.

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The witness withdrew.

Adjourned.

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MR. J. E. O'CONOR, C.I.E.

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